

**Derangement or Development? Political Economy of EU
Structural Funds Allocation in New Member States- Insights
from the Hungarian Case (tentative)**

Judit Kalman
Center for Policy Studies
Central European University
judit.kalman2@gmail.com

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This research is an attempt to reveal some insights on the interaction of political and economic aspects in Hungarian development policy and multi-level government financing mechanisms. By looking at the programming and allocation of EU Structural Funds to municipalities in Hungary for 2004-2008, the project addresses two distinct but related questions: who are the winners, what is behind successful applications (*institutional aspects*); if and how such development programs and financing mechanisms are influenced by *political factors*?

Not only there is no such research with respect to Hungary (and even very few for New EU Member States en bloc), but Hungary is an interesting case to study for several reasons: 1) it is a recent democracy, and the bulk of research on political economy of intergovernmental grants have been mostly focusing on older democracies, 2) transfers (from both national and EU funds) are the main sources of municipal investments, 3) institutional structure of and the policy instruments available to local governments are identical for all localities (i.e. no further intermediate administrative levels).

In this research I am modeling central govt. behavior as a function of variables reflecting benevolent social welfare maximizer intentions as well as those reflecting re-election motives. Data is thoroughly analyzed in search for possible political influences on grant allocation decisions, *election motivated funding* (e.g. swing districts or same color partisanship). Several LPM and probit models have been tested with different sets of political and socioeconomic control variables as well as year and regional dummies on a combined dataset (created from five different data sources, that contains socioeconomic-, budget- and political data for all Hun.municipalities (n=3168). This period (starting with the country's 2004 EU Accession) stretches into two election cycles (2002-2006; 2006-2010) with general and local elections being held in 2006. First results show partisanship elements (same color favoritism), as the Member of Parliament from a locality being same political color as the incumbent central govt. raises chances for getting EU SF grants to some extent, same is shown about the mayor for certain municipality size categories. Socioeconomic and need controls show a mixed picture, reflecting the conflict of efficiency vs. equity driven policy goals of development policy today, these variables can explain only some portion of the variation, yet they often turn totally insignificant in grant allocations.

The research contributes to a fairly small but emerging literature on the *political economy of intergovernmental grants* as well as to the broadening (multi-level) *governance literature* and *policy research on Structural Funds* allocation. Further, the research may inspire and inform potential comparative projects on old and new EU member states in regard to evaluating policy interventions (impact assessment), grant allocation mechanisms or governance issues.

Key words: political economy, local public finance, political budget cycles, infrastructure, intergovernmental grants, Hungary

JEL codes: H72, H77, D 72

1. The research topic – policy puzzle and context

How do political institutions affect economic policy choices? This question frames much of recent research in comparative political economy and within it aspects of fiscal policy are a main focus. Parallel to globalizing tendencies in organization of economic activities there is a growing number of countries re-examining the roles of government and their partnerships with the private sector and civil society. This rethinking has led to a renewed recent interest in the principles and practices of fiscal federalism. There is a growing literature on the *political economy of public finance*, that is trying to show the picture is not so rosy or at least in certain aspects different from what traditional public economics models prescribe, however most of it deals with central government behavior. Observation of the first and second generation of the fiscal federalism literature together with the political economy of intergovernmental grants and the widening literature on political budget cycles makes it obvious that indeed there are challenges to democratic governance: decentralization is a continuing policy trend – however in reality there are downsides¹, institutional, political and other factors that do interfere with decision-making and can increase the chances for inefficient policy outcomes. Infrastructure investment finances - at all levels of government – are especially prone to election cycles and corruption, due to high visibility, high expenditures, lobbying by special interests, possible control by politicians, yet they strongly effect long run growth prospects and productivity of a country.

In the *EU-member* countries, the financial and socio-economic consequences of transfers to poorer regions dominate much of the political and professional debates for various reasons. It is a striking fact that in the history of EU every single enlargement had eventually brought about an increase in the amount of public resources devoted to regional policies². Thus it is not by chance that the *issue of absorption of funds* has come to the forefront in European policy talks: redistribution within the union has been constantly growing since the 1980s and thus effective and efficient usage of these large funds became important. *Structural Funds* transfers (amounting to about 1/3 of EU Budget) are originally designed to increase economic and social cohesion among EU Member States, via enhancing a fast catch-up process of the less developed. Some cautious critics question the effective and productive absorption of these substantial amounts of fiscal transfers, primarily based on the former EU15 Cohesion Countries experience of problems with project planning and implementation which resulted in that a significant amount of budgeted figures remained unspent³. Although

¹Several criticisms of heavy reliance on decentralization have evolved (Prud'Homme 1995, Tanzi 1996, Hommes 1996, Inman-Rubinfeld 1997, Treisman 2002 etc.) since it brings coordination problems which can result in increased disparity across regions and localities, loss of macroeconomic stability and prudent fiscal management, efficiency can be undermined due to a great need for central government intervention ("trap" of decentralization), insufficient information, incentive problems can eventually lead to strategic behavior and thus to management problems, scope of corruption within government might be increased by decentralization etc.

² Not surprisingly, it is quite a popular view among many experts and critics that the ever increasing structural transfers are in fact results of a *political bargaining game*, where poorer newcomer countries and less developed regions are 'bribed' for joining/staying in the common market, which on the other hand provides more scale-advantages for the larger, more affluent member states. Hence Structural Funds are viewed as serving solely redistribution purposes, while having very little to do with fostering economic growth (among many, see e.g. Boldrin-Canova, 2000).

³ Going further along these arguments, mostly in the academic debate, some authors (e.g. Boldrin-Canova, 2001) even question the very ability of fiscal transfers to bring about economic convergence for the current net recipient EU member states, or in general whether convergence can be achieved at all, and even if so, whether fiscal transfers are the best tools for enhancing it. Empirical results are fairly mixed and quite sensitive to the chosen methodology, several econometric or data problems can occur with these analyses (Stierle, 2007). Nevertheless, apart from the mentioned skeptical analyses several studies have shown positive and significant

some countries receive a significant share of their GDP as transfers, formal EU evaluation practice is input-oriented, cares only about spending figures in the light of budget allocation plans. This approach, however, does not capture *the usefulness of the disbursed funds from an economic or social point of view*.⁴ These doubts can be extended and are endorsed by recent evidence from the experience of the 2004-2006 cycle of SF allocation in the new EU member states in CEE precisely due to their various structural, institutional and administrative legacies and problems (Pires, 2001, Csire, 2007). These experiences seem to prove that *increased scale of funds increases the importance and magnitude of absorption problems* (Hervé-Holzmann, 1998).

Staying within the assumption that it is worthwhile to give transfers to foster economic development one should focus on investigating the problems that lower (hopefully not fully diminish) the efficiency and effectiveness of these transfers. Our premise is that successful absorption does not only have a quantitative effect (maximum amount of EU funds) but also a qualitative effect (generating true convergence/development). What seems evident from the limited literature available is that most absorption problems have an *institutional origin*. Here not only features of actual grant-administering institutions matter, but those of economic structure, e.g. openness and general soundness of economic policy, characteristics of the political and electoral system, degree of corruption and the *space allowed for political maneuvering*, rent-seeking by these, etc.

2. Research background - main fields of theoretical inquiry

Political economy of inter-governmental grants

Intergovernmental grant policy is thoroughly discussed in the mainstream fiscal federalism literature, originally as a sub-field of public economics (e.g. Oates 1991 provides a nice summary, or Shah 2005, Gramlich 1977, etc.). For this research, however, the political economy approach to grants is more relevant (e.g. Drazen 2002, Persson-Tabellini 2000) where instead of the traditional efficiency versus equity tradeoff, focus and emphasis is directed to political factors: it is supposed that decision makers' behavior is mainly determined by re-election prospects and other self-interested goals, results of collective decision making mechanisms, such as vote trading, legislative bargaining etc become driving forces - thus they view intergovernmental grants as means for providing direct political benefits (e.g. Inman, 1988, Grossman 1994, Inman-Rubinfeld 1997, Dixit-Londregan 1996, Worthington-Dollery 1998)⁵. However this literature is still much thinner than the traditional public finance one. Here *grants* are acknowledged to *provide more direct political benefits* to the recipient government politicians, as they allow them to expand on vote-generating *visible*

interactions, true convergence (beyond the official EU Reports e.g. García Solane–María Dolores, 2002 or Beugelsdijk –Eijffinger,2003).

⁴ Several research findings in the literature support this presumption and suggest a broader definition of absorption (Hervé-Holzmann,1998), which takes the original granting goals (growth or convergence, cohesion) also into account. There can be several reasons for such broadly defined absorption problems: among many these include information and timing-related principal-agent type problems, technical-administrative incapacity, public choice considerations, Dutch disease phenomena etc.– theoretical explanations can be collected from traditional public finance and public choice literature, fields in developmental economics, however management of SF funds is almost absent from academic literature.

⁵ Wright (1974) was among the first who provided evidence that political factors were significant in determining New Deal spending per capita given to different states, later followed by Wildawsky (1984) writing about politically determined budget planning. Inman (1988) argued that federal grants to states in the US did not seem to correct inefficiencies of the decentralized tax system, but rather reflect *bargaining outcomes*.

expenditure items without the pain of additional taxation, however in exchange they deliver political capital/votes of supporters and of interest group for the higher level government and its ruling party too. This entails that *efficiency is endangered* if local and/or central governments pursue policies which diverge from the normative prescriptions.

'Pork barrel' is commonly referred to "when a collectively finance program whose benefits are concentrated in a small group is thought to have social costs that exceed the social benefits" (Drazen, 2002:327, Mueller, 1989, Tullock, 1959 etc.). Thus such programs are usually characterized by *lack of proper information about the costs*, they usually provide *political benefits*; hence greater number and scale of projects is chosen than would have been economically efficient (Weingast 1984, Weingast, Shepsle, Johnsen 1981). 'Pork barrel' programs often serve the purpose of electoral competition among political parties through „vote-buying" – the literature on political budget cycle also fits in.⁶

Due to its developmental goals a considerable amount of EU funds go for physical or human capital projects. *Infrastructure* investment finances — are *especially prone to* the effects of *political considerations* (bargaining, lobbying, election cycles and corruption⁷) due to high expenditures, involvement of public procurement, higher visibility of projects, offering more transferable political capital for incumbents at next elections etc.⁸ – however they strongly affect productivity and long-run growth prospects of a country⁹. Since public infrastructure provision has truly lots of spill-over effects involved, it is a shared responsibility between levels of governments, thus a major area for national intergovernmental grants too.

Recent new empirical literature shows that variations in intergovernmental transfers (including infrastructure related ones) to sub-national entities within countries cannot be simply explained without *political variables* representing *electoral incentives*¹⁰ – all coming to a conclusion that *grants are indeed determined/influenced to some extent by the political game*. Clearly, fixed formulas of unconditional grants tie the hands of the decision-maker hands more, as there is no yearly negotiation; while *more flexible formulas or conditional grants* (which infrastructure grants usually are) allow *a more discretionary distribution* and even a strategic use of resources by political parties, e.g. for the purposes of reelection or other political interests (Johansson,2003).

By now, there is quite a considerable literature on the political economy of intergovernmental grants with several *empirical papers* on different countries, time periods using different research designs and estimation techniques (Worthington-Dollery 1998, Porto-Sanguinetti 2001, Johansson 2003, Khemani 2004, Feld-Schaltegger 2005, Pinho-Veiga, 2004) – all coming to a conclusion that *grants are indeed influenced to some extent by the political game*.

Political Budget Cycles

⁶ Social scientists have studied pork barrel politics in great detail, starting with the seminal work of Ferejohn (1974) on politics of spending on river and harbor projects. Persson and Tabellini (2000) offer a comprehensive review and treatment of previous literature.

⁷ E.g. among others Cadot et al., 2002 write about the role of *powerful lobby groups* in allocation of infrastructure grants.

⁸ e.g. Cadot et al, 1999, Romp and de Haan 2005 etc.

⁹ Though the magnitude of estimated elasticity of capital spent on infrastructure or the direction of causality (i.e. from infrastructure to output or from output to infrastructure) and appropriate empirical methodology is constantly debated in the so called 'infrastructure-debate' since the influential paper series by Aschauer (1988,1989) - see e.g. Gramlich,1994 for an overview.

¹⁰ Wright, 1974, Wildawsky, 1984, Inman-Rubinfeld,1997, Dixit-Londregan 1998, Inman, 1988, Grossman, 1994, Worthington-Dollery, 1998, Johansson, 2003, Pinho-Veiga, 2007

Elections are meant to make officeholders accountable to the community. Barro (1973) is one of the early papers in modern economics formally dealing with the issue of how re-election chances can induce an incumbent to change his actions, though his assumption of a „representative voter” limits its applicability. Models that deal with economic cycles induced by the political cycle are called political business cycle (PBC) models. Although sometimes used interchangeably with political business cycle, originally the term *political budget cycle* referred specifically to a periodic, regular fluctuation in a government’s *fiscal policies* induced by the cycle of elections.

Three generations of theoretical PBC models can be differentiated. First the literature concentrated on *outcome*, i.e. models emphasized *re-election objectives of politicians* who in order to maximize expected vote-share find it optimal to expand the economy before and tighten it after elections – irrespective of their ideological orientation. (Nordhaus, 1975)¹¹. When a policymaker can influence his chances of remaining in power, a key question is what his true objective is, simply to stay in office or to implement his specific program. Hence *opportunistic* (*office motivated*) policymakers can be contrasted with *partisan* ones (*ideologically different* program goals on issues they care for)¹². Opportunistic PBC models, like that of Nordhaus (1975) generally assume all voters to be identical, with no conflict of interests, being retrospective¹³, hence electoral manipulation is aimed at the (less than fully informed) representative voter. This model has generated a lot of subsequent research, but eventually was replaced by other models based on rational forward looking voter. It has been criticized for its assumption of naively irrational behavior of voters. The basic *partisan* model was first described by Hibbs (1977, 1987), who observed that Democrats and Republicans in the US have different positions on economic issues, such as inflation and unemployment.¹⁴

In the second generation of PBC models *signaling* is considered to be the driving force or analytical frame. Originating from Rogoff and Silbert (1988) and Rogoff (1990) these models stress the role of *temporary information asymmetries about the politicians’ competence level*¹⁵. The basic idea behind this is that only someone who is very competent would put himself into the situation of worsening the budget, thereby greatly constrain a perhaps incompetent successor. Thus *deficit increases* before election-time when a competent politician is in office. However implications of this model for cycles in outcome (not policies) were ambiguous.

The third generation PBC models are based on *moral hazard* and lack such problems – examples are Persson and Tabellini (2000) and Shi and Svensson (2002), DeHaan-Mink(2005). As in the adverse selection models, each politician has some competence level, which is unknown to the electorate. But an additional assumption is also added, namely that *the politician does not know his competence level ex ante either*. The main intuition in these third generation moral hazard kind models is that the incumbent government can exert *a hidden effort*, i.e. **use a policy instrument the public cannot observe, which is a substitute for competence**. For example, if competence measures how well the politician can convert

¹¹ For a detailed, but informed description of the model see e.g. Drazen,2002:232-238.

¹² Nordhaus (1989) gives a well written, thorough summary of basic opportunistic and partisan PBC models.

¹³ In the literature on voting there is an ongoing debate as to whether voters vote retrospectively (i.e. based on past performance) or prospectively (based on promises). Keech, 1995 Ch.6. provides a careful summary on the issues and economic consequences. Interestingly, already in 1957, Downs argued that voting is mainly prospective, since the whole purpose is to select a future government, however he adds that when there is imperfect information any rational prospective voting is necessarily retrospective. Lewis-Beck, 1988 points out that there is empirical evidence for both type of behavior.

¹⁴Hibbs responded to critics about irrational expectations with the idea of using fiscal variables (e.g. transfers) instead of monetary policy to influence economic activity.

¹⁵ As Drazen marks, competence is not to be understood as purely a characteristic of the policymaker himself, but rather is representing his relationship with his environment, e.g. how well an executive can reach his goals in a representative democracy depends crucially on his relations with the legislature. (Drazen, 2002:270)

revenues into public goods, then the hidden effort is the government's short-term excess borrowing.

In *empirical* work (much less in quantity than theoretical.) *evidence is mixed*, and conclusions differ from each other, sometimes to a great extent – but there are some common lines. To better understand the empirical evidence, it is useful to divide them between studies concerning outcomes (e.g. inflation, unemployment, disposable income) and those dealing with policy instruments (transfers, money growth, other fiscal instruments)¹⁶. There is *no scholarly consensus on evidence for opportunistic cycles in the usage of policy instruments, especially fiscal transfers*, but also for monetary policy.¹⁷ The partisan PBC model has been tested much less than the opportunistic model. Generally there is agreement in the literature on the *existence of partisan effects* per se, results usually show partisan effects on measures of economic activity to be strongest in the first half of the terms; yet there is no consensus on which mechanisms (monetary or fiscal policy) really seem to be at work, i.e. are supported by the data.

There are two lines in the empirical predictions emerging from this perspective: one is that opportunistic politicians may be inclined to direct transfers towards their '*core supporters*', as they think this is the cheapest way to buy votes (e.g. Cox and McCubbins, 1986). The alternative view holds that politicians take the core supporters for granted, and thus spending is allocated disproportionately towards '*swing districts*' where voters do not have a strong attachment to either the government or opposition parties (Lindbeck and Weibull, 1987). Dixit and Londregan (1996) present a general approach that incorporates both of these approaches.

Some *institutional arrangements* or *political and economic conditions* may make creating such cycles easier or more difficult, or more or less worthwhile. The publication of Persson and Tabellini's careful examination and claim to have "uncovered strong constitutional effects on the presence and nature of electoral cycles in *fiscal policy*" (2003a: 267) provided a big stimulus to empirical research on such *cycles*. They argued that such cycles were prominent in but not confined to *presidential regimes*. Brender and Drazen (2005) argue that until recently, a PBC was generally thought to be a phenomenon of less developed economies.¹⁸ Hallerberg et al. (2002) check if political business cycles exist in East European accession countries during the period 1990–99 and they find that these governments act very much like their OECD counterparts. They also try to manipulate the economy before elections where possible, but the tools they use depend upon the exchange rate regime and upon the institutional framework.¹⁹ More recent studies present evidence for the existence of a

¹⁶ A number of studies tested the opportunistic business cycle model for the US and other countries (e.g. Alesina-Roubini, 1992, Alesina, Cohen, Roubini 1992, Haynes and Stone 1989), however most of them found little or no support for the basic Nordhaus model of political cycle in economic activity outcomes, i.e. for unemployment, inflation or growth. See e.g. Alesina, Roubini and Cohen (1997) for a detailed summary of empirical research on opportunistic models.

¹⁷ Some authors find significant political effect evidence over specific time periods (Alesina, Cohen, Roubini 1992, Grier 1989, Williams 1990), while others (Alesina, Roubini, Cohen 1997) argue about the weakness of such evidence.

¹⁸ For example, Schuknecht (1996) found evidence for a PBC on a sample of 35 developing countries over the period 1970-92 and Block (2002) finds evidence for government deficit increases by 1.2 percentage points in election years for a cross-section of 44 Sub-Saharan African countries. Also, Schuknecht (2000) finds that incumbent governments tend to increase public investment prior to elections on a sample of 24 developing countries for the period of 1973–1992.

¹⁹ If the country has a flexible exchange rate, the government uses the tool of monetary expansions, while if the country maintains a fixed exchange rate regime the government engages in fiscal expansions, i.e. running larger budgets in election years. Independent monetary authorities can eliminate such cycles in countries with flexible exchange rates. Their conditional coefficients indicate that budget deficit worsens by 1.5% in pre-electoral periods in countries with fixed exchange rates. In countries with flexible exchange rates, there is a smaller move downward, but in this case the variable is not significant. (Hallerberg et al. 2002)

PBC in both developed and developing countries.²⁰ Brender and Drazen (2005) bring the argument however, that the results of these studies are driven by the experience of so-called “new democracies”, where fiscal manipulation may be effective because of the lack of experience with electoral politics in these countries. They argue that once the “new democracies” are removed from the sample, the PBC disappears.²¹ Alt and Lassen (2005) focus specifically on advanced democracies and using a sample of nineteen OECD countries in the 1990’s they argue that among these significant opportunistic electoral cycles are conditional *on the transparency of budget institutions*.²² In countries with less transparent institutions, the electoral cycle in fiscal policy appears, while no such election related fiscal policy movements show up in higher-transparency countries. Furthermore, in accordance with recent moral hazard-based PBC theory, they find that electoral cycles are larger in politically more polarized countries.

PBCs and local governments finance

There was so far little attention given in the literature to the PBC issue with different levels of government, e.g. how its size or probability varies with lower levels – by far, research mostly focused on central government behavior and macroeconomic data. Yet the Rogoff-Sibert type PBC model is perfect candidate for empirical testing at local level, since there voters judge efficiency of public service production, which is the major activity of local governments. On the empirical side, Blais and Nadeau (1992) tested the existence of political fiscal cycles in ten Canadian provinces for over 30 years - their results were significant only in the year of election and most apparent in social services and road construction. Petterson Lindblom (2001) checked spending of Swedish municipalities and found that spending is 1.5 percentage points higher, while taxes are 0.4 percentage point lower in election years. Another oft-cited paper on Swedish municipalities politically motivated spending is Shi and Swenson (2002a and b). Writing about Portuguese municipal expenditure decisions, Veiga (2004) tests and proves that local politicians increase capital expenditures before elections, particularly on roads and street construction. Her results indicate that when a mayor belongs to the party dominating the municipal assembly, capital expenditures are higher. Estimating on the same Portuguese municipal panel data, Veiga and Veiga (2004) search political business cycles at the municipal level and find clear evidence for opportunistic behavior of local governments, with expenditures increasing in pre-election periods to signal competence and improve chances for re-election.

²⁰ For example, Shi and Svensson (2002) - using the GMM method - show that significant pre-electoral increases (1 percentage point of GDP) in the government budget deficit exist for their panel of 91 developing and developed countries over the period 1975-95. But even the critical Alesina et al.(1997) find – using fixed effects estimates - a 0.6 percent of GDP higher budget deficit in election years for their panel of 13 OECD countries for the period of 1961-1993. Moreover, Persson and Tabellini (2002) report statistically significant tax decreases before elections in a sample of 60 democracies over the period 1960-98.

²¹ In developed countries, especially old democracies, election-year deficits actually reduce the probability that a leader is reelected, with similar negative electoral effects of deficits in the earlier years of an incumbent's term in office. Higher growth rates of real GDP per-capita raise the probability of reelection only in the less developed countries and in new democracies, but voters are affected by performance in the whole term of the incumbent rather than in the election year itself. Low inflation is rewarded by voters only in the developed countries. On a sample of 74 countries over the period 1960-2003 they find no evidence that deficits help reelection in any group of countries - developed and less developed, new and old democracies, countries with different government or electoral systems, and countries with different levels of democracy

²² However DeHaan-Mink(2006) check political budget cycles in countries in the Euro Area. Using a multivariate model for the period of 1999-2004 they find strong evidence that despite the introduction of the Stability and Growth Pact, incumbent fiscal policymakers are not too much restricted in the Euro area to increase deficits for re-election purposes, though strictly for the election year, and not for the prior one.

Balerias – da Silva Costa (2002) build a model on *political business cycles at the local* level tier as an explanation for a fiscal policy cycle. They check its empirical plausibility on Portuguese municipal data for the period 1986-93 with an error components econometric framework and they find evidence that local government *investment expenditures* are indeed *determined by several politico-economic variables, such as electoral calendar, re-candidacy decisions, political cohesion and intergovernmental transfers*. However they argue that such expenditure fluctuations can be interpreted as the outcome of rational behavior by fully informed agents – but since they are bad for society overall, an incentive design to minimize their occurrence would be desired.

Sole Olle and Navarro, 2006 test effects of partisan alignment (that is local government of the same political color as the upper tier, central or regional, grantor governments) on the allocation of intergovernmental transfers on Spanish data for 1993-2003. They find results suggesting that such partisan alignment has a sizeable positive effect on the amount of grants received by municipalities.

3. Research goals, hypotheses

From this literature summary it seems clear that there is a need for further research on the area of PBCs, both theoretical and empirical, due to the sparse and somewhat controversial body of evidence. As far as PBC versus multilevel governance and local finances are concerned, the rather small pool of available results definitely points to the need for further empirical research.

Informed by the above models and considerable evidences that *politics matter* in intergovernmental grants allocation processes I am convinced that if allocation of grants, in this case money coming from Structural Funds is penetrated and distorted by political and rent-seeking aspects (as I suppose), principles of efficient policy making and long run sustainable development might get hurt. According to the above literature this is far more likely to happen in the case of *non-formula, discretionary* kind of grants, going for *highly visible items*, so *EU SF grants* are perfect candidates. To my knowledge, there is no research investigating these issues for the case of Hungary from such a political economic approach or even hardly and for New EU member states en bloc.

By looking at the programming and allocation of EU Structural Funds to municipalities in Hungary for 2004-2008, the project addresses two distinct but related *questions*: who are the winners, what is behind successful applications (*institutional aspects*) ; if and how such development programs and financing mechanisms are influenced by *political factors* ? In order to answer these and capture the mechanisms at work I develop hypotheses in a testable format and investigate the following:

- Are there patterns in SF grant allocations? Which localities seem particularly successful in applications and if there are any verifiable reasons behind?
- What factors appear to be crucial to successful application such as size, administrative capacity, sub-national financial autonomy, regional position, economic position, lobbying capacity, political affiliation?
- Can political (electoral cycle and partisan motivated) effects on the SF allocation be verified?

Typical motivations are nicely described in the literature on the political economy of grants and several empirical results strengthen these hypotheses. Empirical analyses concerning EU funding prove that in Cohesion Countries political factors have had significant

influence in funds allocation.²³ With respect to Hungary, the first analyses evaluating the National Development Plan I (that was covering the first EU SF cycle from 2004-2006) and its execution (Csíte-Felföldi, 2006) acknowledge that political factors played some role. First statistical analyses showed robust correlation between the electoral map of the country and the grants allocated to municipalities and micro-regions. This present research further deepens these analyses, adds the year 2006 election results as well as data for 2007-2008, the first 2 years of the 2nd SF cycle (2007-2013).

**** a little section on the Hungarian development policy context and background to go here later****

4. Data and methods

A major task of this research was getting access to and putting together the relevant and feasible *dataset* that suits the interests of our academic inquiry. We use data on successful applicants, i.e. *funded projects* from the EMIR database of the National Development Office of Hungary, created for monitoring European funding resources.²⁴ This data is combined with the State Administration Office (TAH) database embracing all (n=3130) *municipal governments' budget data* (data available for up to year 2005 only) plus with demographic, social and infrastructure data from the *territorial statistical database T-Star* of the Hungarian Central Statistical Office and with general and local *election data* for elections years 2002 and 2006 from the National Elections Office of Hungary. Moreover some population and minority data from the *2001 Census* in Hungary are also used.²⁵ For reasons of easier comparison across e.g. recipient municipalities, all variables are transformed to *per capita values* in the analysis. All the financial variables are shown *in thousand HUFs* and have been recalculated *at 2008 prices* using the GDP deflator. For analytical purposes, the *city of Budapest*, local governments of capital districts and counties are deliberately *left out* of the dataset, due to *their very special status* in the institutional and budgeting structure. This practice is commonly followed by researchers dealing with Hungarian municipal data. Thus the final number of local governments included in the pooled data is N=3130. After several checkups and corrections, this database handles problems from different budget structures throughout different years, hence contains same data content for all years.

Apart from determining patterns, explanatory factors for success in EU funds applications of municipalities, this research intends to reveal at least some of the political influences in programming and allocation of development funds through the Regional Operational Program in Hungary for 2004-2008. This period (starting with the country's 2004 EU Accession) stretches into two election cycles (2002-2006; 2006-2010) with general and local elections being held in 2006. Since this is a short time period (2004-2008), that means special care in handling data is needed (e.g. clear dominance of units over time periods), plus there is more than one project per year for many recipients, yet municipal financial and demographic and social data is not available for the whole period (i.e. tons of missing values

²³ In Portugal EU funded public investments disproportionately favored Lisbon and the southern territories, where the majority of voters was loyal to the governing coalition. However according to De la Fuente and Vives (1995) there were no such effects present in Spain.

²⁴ Unfortunately - against all our efforts - access to the whole National Development Office database containing information on non-winner applicants as well was not possible, due to legal reasons (apparently according to Hungarian law that is considered business secret hence not public data). This causes some problems for the analysis, as the group of not funded municipalities includes both those that did not even apply, and those who applied, but were not funded, yet their differentiation is not possible from these data. I choose to use probability models instead of some selection models that are widely used in policy impact analysis partly for this reason.

²⁵ Accessing, sorting, cleaning, linking etc. these very different datasets (not put together from a research viewpoint) was indeed a tedious task, producing several problems and challenges on the way, hence my special thanks go to Adrienne Janka, Corvinus Univ., Budapest for providing research assistance.

for years 2006-2008), thus creation of a panel dataset and using panel estimation techniques did not seem a reasonable and feasible idea. The advantage of panel models over simple cross section data could be the unique possibility to include and disaggregate dynamic relationships to cross sectional data, since one of the primary reasons for heterogeneity among individuals is the different history each has (Greene, 2002:283), yet due to the large number of missing data for years 2006-2008 we would not have enough variation over time, i.e. no plus information gained.

As far as estimation methods are concerned, for checking what is affecting *the chances for grant receivals* (which basically represent a discrete choice between getting or not getting them) I used *linear probability model* (OLS) as well as *probability models* for a limited dependent variable (*probit*). Thus the dependent variables were binary vars: gotgrant_all, if any (govt. or business, NGO) kind of applicant has received money from EU funds throughout all the years of 2004-08, gotgrant_LG if the local government has received grants across all EU SF operation programs, gotgrant_ROP if any applicant from a certain municipality has received funds from the Regional OP, or gotgrant_LG_ROP if the local government itself has received funds from the ROP²⁶. In binary response models, the primary interest is to explain the effects of various values of x on the response probability:

$$P(x)=p(y=1|x)= P(y=1| x_1,x_2,\dots,x_k)$$

To get more fine-tuned picture estimations are carried out on the whole database and *sub-samples by size* - partly because it is a usual suspect in terms of any grant programs, partly because population came out always strongly and positively significant in all baseline regressions, which further justifies such sub-sampling. A kind of sub-sampling is given by the various dependent variables themselves. In order to capture more insights on the politics, I cut the data for *different periods pre- and post-election* too, and check effect of 2002 election results on the period of 2004-05, on the election year 2006, and then the effects for the 2006 elections separately for the numbers in the period 2007-08.

In order to avoid the usual econometric caveats, I was very careful with variable selection and model design strongly linked to theory and economic sense, and also before making any interpretation based upon the regression results, I checked for the following problems and made the necessary corrections.

a) *multicollinearity problem*: The greater the inter-correlation between the independent variables, the greater the problem of multicollinearity and the more difficult it is to obtain numerical values for each parameter separately; under full multicollinearity the least squares estimation does not work. As mentioned, the problem of possible multi-collinearity between different independent variables was excluded here by careful variable selection, besides which I also checked for correlations and tests have not revealed serious multicollinearity problem.

b) *Heteroskedasticity problem*: If the error variance is not constant for all the observations, the heteroskedasticity problem is encountered. In that case, parameter estimates are consistent, but usual standard errors and t-ratios will be incorrect and should not be used for inference. If the heteroskedasticity problem is detected, several corrective strategies are available such as transforming the data from the level form to a logarithmic form or by using per capita figures. For this reason and also for easier comparability, I opted to use per capita figures as well as ln transformation of the population and PIT base variables in this paper. Moreover, in order to prevent any possible problem, all regressions were run with the option that provides robust standard errors corrected for heteroscedasticity.

²⁶ In subsequent research stages I plane to conduct further analysis on the per capita amounts received as dependent vars.

Variables used

In this research I am trying to model central government behavior as a function of variables reflecting benevolent (social welfare improving) intentions as well as those reflecting the central government's self interest, re-election motives. Thus binary dependent variables for getting grant (by any applicant from a given municipality, by the local government itself, by receiving from the Regional OP by any applicant, or from the ROP by LG) are modeled as a function of (1) variables related with the public choice idea that policymakers are having *re-election interests* taken into account in grant allocation process and (2) control variables associated with the normative approach, the grant giver viewed as a *benevolent social well-being maximizer* / development policymaker in this concrete case - e.g. demographic and economic variables (e.g. population, need-indicator variables such as ratio of dependent population (young, old) present infrastructure levels, education and social service levels, wealth of population (Personal Income Tax base) – that strongly correlates with estimated local GDP, i.e. is a good proxy for economic status too etc. or variables reflecting the budget-constraint/financial autonomy of the municipality (percentage of own revenues), regional position etc.

In today development policy there are often opposing goals and thus policy tools/grant designs used – as there is a tradeoff between equity-driven policies for lagging regions, that concentrate on poor, less developed, aging or scarcely populated areas etc. and those new economic geography based policies that concentrate on efficiency and economic growth-enhancement, thus support faster developing hubs of the economy – e.g. following the agenda prescribed by the Lisbon goals in the EU development policy domain. Both kinds of policies are justified, have their pros and cons, especially in the case of New EU Member States where one of the effects of economic transition was a seriously widening economic and social gap between different parts of the countries. These mix of efficiency versus equity related policy goals and tools are visible in the Hungarian development policy documents too, hence expected signs for the above mentioned socioeconomic controls is often unclear, to be uncovered by the analysis. E.g. if development policy is trying to deal with regional disparities, than 'lhh' variable reflecting a municipality's status in the special program for the 33 least developed small regions of Hungary should be strongly significant and positive, moreover, size or per capita PIT base (that reflects local GDP) could be negative, as less grants would be given to the larger, more well-off places. However, if economic growth enhancement dictates giving more stimulus to exactly these kinds of hub cities, then grant reciprocity chances should be positively affected by population and PITbase. These clashing policy goals are part of the reason why I checked allocations from the Regional Operative Program separately apart from the total operative programs, and within the ROP even I check chances for any applicant and the local government itself - since if any, it is the ROP that is supposed to have traditional regional disparity/convergence focus. Yet, rumors claim the ROP allocations to be the most politically driven.

This highlights the idea that these socioeconomic variables can explain only some portion of success of local government applications in EU Structural Funds and within them, especially the Regional Operative Program, but our main interest here are the *political influence* variables (election effects, partisan motivations, lobbying) and their effects on Structural Funds allocation decisions. Driven by hypothesis formulated from the literature review and interviews conducted with Hungarian experts and government officials data is thoroughly analyzed in search for *election motivated funding*. Such arguments are often raised in Hungarian political discourse, but so far no systematic empirical investigation tried to check for its validity and possible extent. My estimates are a first attempt towards this direction. e.g. checking whether EU grants are given to *swing-voter* districts (measured by the closeness of previous elections) in contrast to loyalty or same color favoritism. The latter

was proved in the PhD research project by the author (Kalman 2007) analyzing the Hungarian local government infrastructure grant system.

Political color same as central government variables for the *member or parliament* and the *mayor* were constructed from raw election data for the two election cycles involved. Drawn from the partisan model, I expect a positive effect of these variables on grant reciprocity chances; the incumbent central government will invest more in those municipalities where the support of the local governments will ensure that this improvement will be easily capitalized in increased political support for the next elections.

Yet, I am curious whether there is any validity for the *swing voter* hypothesis mentioned above, i.e. before elections the incumbent party could time more grants allocated to localities where in the previous election round there were many swing voters. To capture this I use the *closeness proxy* that is often used in the literature (Johansson 2003, Veiga xxx, etc.), i.e. the percentage difference between the winner and the second on the final list of general and local elections.²⁷ Another variable is supposed to help capturing existence of swing voters and that is whether the MP got elected only in the second round of elections in a given year.

Election years were 2002 and 2006 – when national elections were always held in the spring and local elections followed a few months later the same year. Thus the political variables at my disposal are measured only when one election is held (at time $t=k$) and are constant until the next election (at time $t=k+4$), therefore, these are assumed as *a priori* known by the central government during the electoral mandate. What makes election effects even further interesting for research inquiry is the fact that due to some scandals that questioned the credibility of the freshly elected socialist-liberal cabinet elected at general elections in spring 2006, the fall 2006 local elections brought a sweeping victory of the opposition (right wing FIDESZ) in most of the local governments, especially in major cities. Hence, for the first time after a long period since transition the central government and majority of mayors/local governments had opposing political colors. Effects of this situation are captured in cutting data and running regressions for different periods, and taking 2006 election results into account for years 2007-08 fund allocation data.

If allocated SF grant amounts go up just before (in the year of) elections that can also be taken as a sign for *pork-barrel type allocations* (Drazen-Eslava, 2006, Khemani, 2004, Veiga-Pinho, 2005)²⁸. Rent seeking and/or lobbying efforts of local governments could best be checked via qualitative research methods, e.g. a survey, that is planned in subsequent research phases (dependent upon external funding). Yet, I conducted a few interviews which provided some insights on these processes and gave ideas for some variables that could serve as proxies. One such candidate is a mayor's or a member of parliament's time in office (in Hungary there are no term limits for mayors)²⁹ - the intuition behind being that the longer the mayor/MP is in office, the more connections, network (s)he has for influencing central decisions, i.e. more powerful (s)he can be for achieving pork-barrel type allocation goals (a similar variable was also used by (Veiga-Pinho, 2005). Apart from an MP's number of served terms I used a dummy for the MP getting elected for more the one term.

Last but not least, as mentioned before, I used several *socioeconomic control* variables in different combinations in the models, trying to capture both equity and efficiency considerations of development policy and local needs too. Needs are affected by the development level of the inherited infrastructure and that of the local economy as well as the

²⁷ A of the fist draft, we do not yet have data on the closeness of the 2002 local elections, thus only the 2006 ones are used in the analysis.

²⁸ See Drazen (200:327-331) for an explanation of 'pork-barrel' politics.

²⁹ As of the first draft of this paper, I only have data on the terms served by MPs, however in subsequent periods of this research i will try to obtain data on mayor terms and include those in the analysis.

needs of the citizenry. Possible need indicators on local infrastructure, education social and health services were also used at some stage, expected with positive signs, but in the end share of *young population* and *old population* were kept to control for demographic variances in need for services, both expected with a positive sign for investments. Not only in order to avoid possible multi-collinearity among these variables, but especially regarding the fact that apart from physical infrastructure development of human and social infrastructure is also among the goals laid down in the First and Second National Development Plans of Hungary. The *per capita personal income tax base* of the municipality tries to control for the economic position of localities (or rather for their inhabitants, but since local governments still do receive a portion of the PIT collected at their territories, this variable is also a budget constraint one) Furthermore, one of the best proxy for the economic development level of a locality is the PITbase, as there are no official local GDP statistics, researchers estimated local GDP levels by using several components and found that in the end they strongly correlate with this one variable (Csit-Nemeth,2008). In certain models, '*hdi*' the estimated local Human Development Index³⁰ was also used to capture development level of a locality, as well as county head city status and percentage of Roma population, but eventually these were removed due to reasons of strong correlation with other explanatory variables, or in the case of county-city perfect prediction of grant success. In order to include some more control variables accounting for the budget constraint of each local government, a decentralization measure that is *percentage of own revenues* in the local government budget was used. Since EU SF grants are matching in nature, available local resources are important for getting access, yet they are a source of inequity too – this is captured also by the decentralization measure and its sign. Since EU applications indeed involve heavy bureaucracy and preparations need considerable time and budget efforts, to capture *administrative capacity* of a local government ratio of local *population with higher education* was used. But also, for the years of the second EU funds cycle (2007-) I included a variable whether there was any applicant from the municipality or local govt. successful application for EU funds in the first period (2004-06), as this not only reflects a certain level of administrative capacity, but, *earlier EU funds experience* is something to capitalize on, hence a strong candidate for predicting future success. Finally, I also checked some models by using *regional dummies* for the seven statistical (NUTS2) regions of Hungary to account for region specific fixed effects.

The following table summarizes the variables used in the analysis and their expected signs, while the next one gives summary descriptive statistics.

³⁰ Local HDI and GDP estimates data is from Csit-Nemeth, 2008 , which is gratefully acknowledged.

Variables used in the analysis and their expected signs

VARIABLES	LABELS	EXP. SIGN
dependent vars.:		
gotgrant_all	applicant from municipality received EU funds	
gotgrant_ROP	applicant from municipality received EU ROP funds	
gotgrant_LG	Local Government received EU funds	
gotgrant_LG_ROP	Local Government received EU ROPfunds	
explan.vars.:		
political vars.:		
Close_2002_parl	closeness of 2002 parliamentary elections MP got elected in the second round of the election 2002	-
sec_round_02		+
MP_gov_02	MP same color as central government 2002	+
MP_long_02	MP reelected for more than 1 term 2002	+
cl_1_mcg_02	mayor political color same as central government 2002	+
MP_gov_06	MP same color as central government 2006	+
MP_long_06	MP reelected for more than 1 term 2006	+
cl1_m_cg_06	mayor political color same as central government 2006	+
Close_2006_local	closeness of 2006 local elections (% diff. 1st and 2nd)	-
Close_2006_parl	closeness of 2006 parliamentary elections MP got elected in the second round of the election 2006	-
sec_round_06		+
MP_terms_06	Number of terms Member of Parliament reelected 2006	+
gotgrant_1	any applicant received funds from NFT, first cycle of EU funds, 2004-06	+
gotgrant_LG_1	LG received funds from NFT, first cycle of EU funds, 2004-06	+
socioecon.controls:		
ln_population	ln population	+
lpcPITbase	ln per capita local personal income tax base	+
young	% of young population	+
old	% of old population	+
decentr1	% of own resources in LG budget	+/-
size	size indicator	-
higheduc	ratio of local population with higher education	+
lhh	Munic. Belongs to special program for the least developed 33 small regions (LHH)	+
dummies:		
regio_em	Northern Hungary region	
regio_ea	North great Plain Region	
regio_da	South Great Plain Region	
regio_kd	Central Transdanubia Region	
regio_nd	Western Transdanubia Region	
regio_dd	Southern Transdanubia Region	
+ year dummies		

Summary statistics of variables used

Variable	Obs	Mean	Std. Dev.	Min	Max
dep.vars:					
gotgrant_all	15780	0.731939	0.442964	0	1
gotgrant_ROP	15780	0.268061	0.442964	0	1
gotgrant_LG	15780	0.463562	0.498686	0	1
gotgrant_LG_ROP	15780	0.244613	0.429871	0	1
explan.vars:					
Close_2002~l	15740	15.2008	10.02895	0	39.72
sec_round_02	15740	0.689962	0.462524	0	1
MP_gov_02	15740	0.210928	0.40798	0	1
MP_long_02	9990	0.804805	0.396371	0	1
MP_terms_02	9990	2.363864	0.981986	1	4
Close_2006_parl	15760	13.19239	8.487905	0.01	36.65
sec_round_06	15760	0.585343	0.492678	0	1
MP_gov_06	15760	0.420368	0.493634	0	1
MP_long_06	15760	0.801333	0.39901	0	1
MP_terms_06	15760	2.827157	1.282517	1	5
Close_2002_parl	15660	0.413941	0.338697	0.000395	1
cl_1_mcg_02	15680	0.133291	0.844102	0	9
cl1_m_cg_06	15675	0.045933	0.209347	0	1
hdi	15780	0.837593	0.031368	0.757	0.914
higheduc	15780	4.655228	3.601026	0	40.1
size	15780	4.396071	0.827109	1	5
lhh	15780	0.21166	0.408498	0	1
countycity	15780	0.005703	0.075308	0	1
ln_population	15720	6.789515	1.322424	2.70805	12.23117
gotgrant_1	15780	0.692015	0.461675	0	1
gotgrant_LG_1	15780	0.437896	0.496144	0	1
old	15780	0.227907	0.068833	0	1
young	15780	0.165802	0.046335	0	0.775547
Roma	15780	0.036587	0.073965	0	0.790598

5. Preliminary Results and Robustness Checks

Political variables – same color favoritism, especially the color of MP matters

As mentioned above I created several different binary dependent variables for grant recipient status and used probability models for limited (binary) dependent variable for estimation. For comparability and preciseness, estimations were always done using the *Linear Probability Model* (OLS estimations) as well as *Probit* (maximum likelihood estimations), Results using LPM are indeed quite similar to Probit versions (see Greene, p. XX for stating that LPM estimates can be as good as probit/logit ones) . Several models have been tested with different sets of political and socioeconomic control variables as well as year and regional dummies and also a restricted version without any political variable. Tables 1-12 in the Appendix give all the different model results³¹, from which I highlight the most important findings.

In both LPM and Probit estimates, I got some plausible results, with significant color variables and right +/- signs for my explanatory variables, yet some behaved strangely. The

³¹ For Probit estimations, marginal effects are given in the tables, as these have the same meaning as beta coefficients in linear regressions.

best performing of these was the *same political color of the MP* as the incumbent central govt., both for 2002 and 2006. I found strongly significant (at 1%) results, showing that *if political color of the Member of Parliament from a certain locality is the same as the incumbent central government, the chances for getting from EU SF grants are increased with +2-8% across all models and different specifications*. That is irrespective of the grantee and the operational program. MP same color has highest effects in the case of Local Government projects funding chance, and especially for the years 2004-05 and election year 2006, where it reaches +8% more chances. These results fit with the *partisan model*, i.e. that central politicians do use intergovernmental grants, among them EU funds for improving re-election chances of their parties and themselves both at national and local levels.

Contrary to my expectations, the variable created for proxying lobbying capacity (MP_long), the dummy if the MP is elected for more than one term was not positive, though almost always significant. This way it suggests as if MPs are actively lobbying for pork barrel, projects from their constituencies in their first term, but less active and not so successful in their subsequent ones – but this needs further checking, and the time frame for this analysis was certainly not long enough.

As far as the *political color similarity of the mayor* with that of central government (cl_m_cg) is concerned, contrary to what I expected, it was in *most* of the cases *insignificant* and even negative yet, in the probit models for all recipients all OPs (gotgrant_all) and the one for LG receiving grant from any OP (gotgrant_LG) it was significant, and *raises chances for the municipality to get central investment grants by +4 - 9%*.

Size. Splitting data to subsamples by size and periods (Tables 11-12 in the Appendix) shows that even the MP color variable is not unambiguous, however *same color MPs from 2002* seem to affect grant reciprocity chances *positively across all size groups*, while after 2006 we see an interesting point: according to these numbers, *MPs from the smallest (under1000 and between 1000-5000) places seem to be the most influential* in terms of higher grant reciprocity chances, while in other size groups it loses its significance, though keeps its positive sign according to both LPM and Probit models.

After being almost always insignificant, by splitting along sizes, the *color of the mayor* is considerable in the model for gotgrant_LG (i.e. if we take only projects of the local government) and is positive and significant for the *small towns* (between 5-10000) and the *smallest villages* (under 1000), increasing grant chances by **+4-13%** (Table 10). In the case of the first probably at these places some charismatic mayor figures can actively lobby even in national policymaking for grant approval, and also these are cities that possibly get more attention from parties in election mathematics (although only 665 observations!). In the case of the latter, small villages, it can be the lack of own funds yet the strong need for any investment that urges mayors to try everything in order to get those much wanted EU projects. And it should be kept in mind, that here only same color mayor after 2006, the rather scandalous elections, are included, i.e. it seems the incumbent socialist government indeed tried to reward some of the remaining few loyal places.

Accordingly, as the partisan model (same color favoritism) got reinforced, it is not so surprising that the swing voter hypothesis does not seem to be acceptable. The closeness proxies behave oddly, across models for all recipients or LGs and even for different time periods seem either significant, but not with the expected negative sign (the closer the race, i.e. the smaller the difference between votes the more chance for grants) or not even significant. The only place where the closeness of 2006 elections (local and /or parliamentary) come with the expected negative sign and significant are the case of ROP allocations in years 2007-08, especially those where LGs are recipients. (Tables 5-7) Strangely enough, they are significant at the same time with the partisan (same color) variables, which suggests that after the scandalous and for the incumbent disappointing 2006 local elections, both kinds of

political tactics could have been in operation at the same time – although coefficients/marginal effects for the partisan favoritism are higher (and theory would predict such a behavior rather prior to next elections).

However, since the dummy variables for the MP getting elected in the second round of elections (which is another sign of close race) behave well, and often come out strongly significant, plus the standard deviation of the closeness variables is rather high as they are designed now, I am not inclined to say I can fully reject the swing-voter hypothesis, rather to say that these results need caution and further investigation, possibly combined with other public fund allocations in future research, or perhaps using a different proxy for swing voters, such as the density at the cutpoint used by Johansson, 2003.

Socioeconomic and need indicators in EU grant allocations

As already emphasized, these socioeconomic indicators *were expected to have a role* in grant allocations, since they control for development policy equity or efficiency goals, be they explicit or implicit, and for local needs. Plus no political economy theory would predict solely political factors being important in grant allocations, just the possibility of some effects of politics besides these socioeconomic ones. The picture is quite mixed in my findings, indeed some of these socioeconomic and need controls turned out to be statistically not significant for grant reciprocity in the analysis.

The already mentioned opposing development policy goals are reflected in these findings. I find that *EU grant reciprocity chances increase along size* (ln population variable is strongly significant with high positive coefficient/marginal effects, size indicator is negative, as it is coded in a way that largest cities are category1 and smallest are category5). This is not much of a surprise and is how I expected, partly because EU grants are used also (or mostly?) for growth enhancement purposes for faster overall convergence of Hungary, hence in majority do not go to tiniest, backward places, plus these projects are usually larger in scale, than usual municipal ones, thus larger places, or associated ones with probably the largest as project manager are initially more determined for such applications. When I split data along size categories and for different periods before and after elections, I have found that probits did not always run for the largest cities, as population above a certain threshold would perfectly predict EU grant success for the local government, and in linear probability model, it lost its significance for the largest in the election year of 2006. But in general, increasing size means increasing chances for EU grant reciprocity – which is also true even in the case of the Regional OP grants, where perhaps disparities are reflected the most.

For a better understanding, I combined size and actual grant status along the different variables I used as dependents. This also highlights, that in fact except for the largest cities, larger size increases chances for EU grants considerably, including ROP.

Size and EU grant status

size	No. of municipalities	Total no. of obs.	received EU funds		LG has received EU funds		received EU ROP funds		LG received EU ROP funds	
			gotgrant_all		gotgrant_LG		gotgrant_ROP		gotgrant_LG_ROP	
above 50000	33	165	105	64%	100	61%	100	61%	100	61%
10-50000	122	610	610	100%	605	99%	585	96%	585	96%
5-10000	138	690	685	99%	625	91%	535	78%	505	73%
1000-5000	1132	5,660	5,240	93%	3,535	62%	2,110	37%	1,910	34%
under 1000	1731	8,655	4,910	57%	2,450	28%	900	10%	760	9%
Total	3156	15,780	11,550	73%	7,315	46%	4,230	27%	3,860	24%

Similar can be said about the economic development level of a municipality, measured by the per capita Personal Income Tax base - i.e. *EU grant reciprocity chances increase along better off economic position*. Reasons are probably similar to that of size mentioned above, and are signaling that EU funds are mostly spent for growth enhancement purposes and not so much for within country catching-up of the lagging ones, though not necessarily justified by written development policy goals. Yet, when broken down along periods and size categories, per capita PIT base loses its significance from election year 2006 and after in all size categories, though keeps its positive sign.

Regarding the demographic need variables percent of young (under14) school-age population is significant and positive, whenever it comes to local government projects, either overall or from ROP, but usually loses its significance in other models with different dep.vars. – which is as it should be, since schools and all related facilities are maintained by the local governments in Hungary and investment needs for those represent a major part of EU funded projects of LGs. Though in the election year 2006 and after, percentage of young lost its significance even for LGprojects – apparently other policy goals were more important. The other local need variable, percentage of old population is always strongly significant and positive, adding to grant reciprocity chances across all model specifications and sub-samples - which is a finding contradictory to what I have previously found in my research for Hungarian national investment grants for municipalities (Kalman,2007), where old was never important.

Although I was unsure about its expected sign precisely for the mentioned policy goal confusion, the *ratio of own resources in the LG budget (decentralization measure)* usually did not even come out *significant*. Where it did though, it has opposing signs, i.e. negatively effecting chances for grants in certain cases, and positively in some others (e.g. ROP funds received if local governments – i.e. here at least it is rewarded if a local government tries hard and become less grant dependent). In sum, the only conclusion that we can draw from this is that indeed policy goals seem to be mixed, probably changing from call to call even within operative programs. Thus whether more financially independent, better-off LGs, who are capable of showing the necessary co-financing own contributions are the winners, or rather the grant-dependent less independent ones remains unclear and needs further investigation (perhaps better dealt with, when checking the exact per capita amounts received and not only the binary gotgrant dep.vars).

Since EU applications indeed involve heavy bureaucracy and preparations need considerable time and budget efforts, to capture *administrative capacity* of a local government ratio of local *population with higher education* was used. Moreover, for the years of the second EU funds cycle (2007-) I included a variable whether there was any applicant from the municipality or local govt. successful application for EU funds in the first period (2004-06), as this not only reflects a certain level of administrative capacity, but, *earlier EU funds experience* is something to capitalize on, hence a strong candidate for predicting future success. Both behaved as expected, with strongly significant and especially in the case of the latter highly positive coefficients/marginal effects. Proportion of higher educated population only lost its significance for grant reciprocity chances in the election year 2006, which is somewhat a telling story. Previous EU funds experience from the first cycle of 2004-06 *added very strongly* to the chances of a new project being funded successfully – results confirmed what interviewees just hinted on.

Last but not least, to proxy for backwardness municipality belonging to the special program for the least developed 33 small regions (LHH) within the National Development Plan was included – and in most of the cases it came out significant and positive, though after 2006 it is more ambiguous, plus when broken down to size categories, it seems to affect the chances of the smallest places, while not always significant for the larger ones. This reinforces the presence of some equity considerations in development policy in Hungary. Besides these I tried using regional dummies, however most of them were significant but

minuscule, or strangely behaved, which did not add much information to my model, thus dropped them.

6. Policy relevance

Grants – if well designed and administered – are an excellent way to alter local recipient choices and correct certain market failure type problems, like externalities, or serve equity considerations, ensure minimum service standards or other development goals as prescribed in the normative public finance and economic geography literature. Yet, grants can be misused by self-interested politicians, in which case they can become distortive, or have unintended consequences – which the reviewed political economy literature discusses in great detail. There is a growing international literature on aid efficiency (e.g. Burnside-Dollar, 2000, Kaufman et al., 2002 etc.), that originally started out from standard neoclassical growth models mostly concentrating on developing countries but offering useful general conclusions³². Most notably, that *at best grants can be effective and efficient only conditionally*: International aid provide real positive effects only in target countries where domestic policies are relevant and consequent. The smaller, but also increasing literature directly dealing with efficiency of EU funds have so far come to similar results: *efficient usage of EU funds depends mostly on institutional conditions* (e.g. de la Fuente, 2002, Ederveen et al. 2006).³³

Experience from former EU15 Cohesion countries shows that in order to overcome coordination problems of decentralization in the beginning of SF operations it can be worthwhile to manage funds at central level (the center as “gatekeeper”), however recent governance literature emphasizes the role of strengthened Multi-Level-Governance in public policy and thus in regional policy and SF allocations. From the empirical side Bahr (2007) shows using panel data (from Ederveen et al.2006) that Structural Funds are more effective in promoting convergence when states exhibit a higher degree of decentralization - measured with a local control over local tax base and rates. From this respect the governance of EU SF planning and administering Hungary is very much centralized, even more so from 2006, when the National Development Agency was created – and this and other institutional conditions, apart from its obvious scale-economic and efficiency advantages seems to offer leeway for political influence too.³⁴

Our premise is that successful absorption of EU funds does not only have a quantitative effect (maximum amount of EU funds drawn from Brussels) – that is mostly emphasized and pointed to by official analyses - but also a qualitative effect (generating true convergence/development). This – if at all possible - does not solely depend on the effectiveness of planning (although that is important too) but rather on the political and institutional context of planning and programming as well as execution of development policy, i.e. careful, less distorted selection and allocation. Finding evidence of some politically driven inefficiencies in EU Structural Funds allocations highlights such problems

³² Váradi, B. (2006, 2007) articles nicely reveal the strength and magnitude of lessons to be learned from this aid literature, as well as highlight the possible traps of this “manna” coming from the EU for the Hungarian case.

³³ Ederveen, de Groot, Nahuis 2003 also highlights the role of institutions in absorption: analyzing panel data from 13 countries they get to the result that Structural Funds contribute to growth and development most in countries with the highest quality institutions, while elsewhere SF contribution might not even be significant. They show these results using several institutional proxy-variables, such as level of corruption, openness, inflation etc.

³⁴ This is not Hungary-, not even new member state specific – such influences exist and are shown with respect to older EU members as well (** refs. **)

to policymakers and perhaps contribute to more effective allocation in the future, even though interests of politicians and bureaucrats/tax payers diverge in this respect.

Apart from confirming a more growth enhancement, economic development focus of Hungarian development policy, also a mix and trade-off between opposing development policy goals, my findings reinforce the initial hypotheses and confirm that some election motivated political distortions (mostly same color favoritism) are indeed verifiable in the allocation of EU funds in the case of Hungary, for the period of 2004-08.

**** tables to be included here on amounts funds spent by years, 1st and 2nd Natl. Devt. Plan and by different Operation Programs to go here, as well as ones by size groups of municipalities and other kinds of recipients+ more policy conclusions to be drawn****

7. Concluding remarks

The novelty of this research is the focus being not on politics or decision-making mechanisms per se, but rather on the effects of politics on economic outcomes. The research contributes to the fairly small but emerging literature on the political economy of intergovernmental grants and development as well as to the broadening multi-level governance literature and policy research on Structural Funds allocation. Results are both of practical and theoretical importance, fit in the existing theoretical and empirical literature moreover map issues of relevance for further inquiries and international comparison. Not only the topic choice is new, under-researched yet much needed in the Hungarian policy research arena but it links nicely to the already more researched cohesion literature on EU15. My results are in line with and add to previous empirical finding with respect to Hungary (Csizé-Felföldi, 2006) and stand in different robustness checks.

- more on results to go here -

Further, this research may inspire and inform potential comparative projects on old and new EU member states in regard to evaluating policy interventions to reduce regional disparities in developmental potential, thereby helping the work of policymakers and policy analysts in the long run.

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APPENDIX

Table 1

Probability models for receiving EU SFgrants and political colors 2004-2008 - Linear Prob.model

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
dep.var.: gotgrant_all						first cycle 2004-05	election year 2006		2007-08				
LABELS	Pooled - basemodel	region dummies	swingvoters _2002	same pol.color		swing	same	swing	same pol. color	local elec.close	parl. elec.close	same color	
political vars.:													
closeness of 2002 parliamentary elections			0.000694 [0.000449]			0.000693 [0.000710]		0.00071 [0.00101]					
MP got elected in the second round of the election 2002			0.0164* [0.00994]			0.0177 [0.0157]		0.0163 [0.0223]					
MP same color as central government 2002				0.00621 [0.00841]			0.00627 [0.0133]		0.00554 [0.0189]				
MP reelected for more than 1 term 2002				-0.0400*** [0.0100]			-0.0405** [0.0159]		-0.0406* [0.0224]				
mayor political color same as central government 2002				-0.0320*** [0.00457]			-0.0319*** [0.00724]		-0.0324*** [0.0103]				
MP same color as central government 2006					0.0313*** [0.00638]							0.0312*** [0.0101]	0.0335*** [0.0100]
MP reelected for more than 1 term 2006					-0.0389*** [0.00780]							-0.0391*** [0.0123]	
mayor political color same as central government 2006					-0.00136 [0.0111]							-0.00132 [0.0176]	-0.00103 [0.0176]
closeness of 2006 local elections									0.0489*** [0.0154]				
closeness of 2006 parliamentary elections												-0.00081 [0.000824]	
MP got elected in the second round of the election 2006												0.0320** [0.0138]	
Number of terms Member of Parliament reelected 2006													-0.00958** [0.00384]
socioecon.controls:													
In_population	0.212*** [0.00564]	0.190*** [0.00595]	0.211*** [0.00569]	0.219*** [0.00693]	0.211*** [0.00565]	0.213*** [0.00909]	0.219*** [0.0112]	0.208*** [0.0126]	0.217*** [0.0152]	0.214*** [0.00894]	0.210*** [0.00890]	0.211*** [0.00889]	0.210*** [0.00892]
In per capita local personal income tax base	-0.0434*** [0.00843]	-0.0428*** [0.00861]	-0.0438*** [0.00869]	-0.0215** [0.0102]	-0.0442*** [0.00844]	-0.0367*** [0.0129]	-0.0196 [0.0155]	-0.0434** [0.0191]	-0.0192 [0.0224]	-0.0544*** [0.0145]	-0.0521*** [0.0144]	-0.0542*** [0.0145]	-0.0558*** [0.0145]
% of young population	0.00684 [0.100]	-0.202** [0.101]	-0.00209 [0.100]	0.204* [0.124]	-0.0234 [0.101]	0.0333 [0.170]	0.292 [0.216]	-0.084 [0.190]	0.159 [0.219]	0.0403 [0.162]	-0.00065 [0.162]	0.0111 [0.163]	0.00184 [0.163]
% of old population	0.741*** [0.0771]	0.471*** [0.0787]	0.733*** [0.0771]	0.551*** [0.0956]	0.737*** [0.0779]	0.764*** [0.132]	0.591*** [0.168]	0.656*** [0.151]	0.499*** [0.178]	0.736*** [0.123]	0.766*** [0.121]	0.763*** [0.123]	0.737*** [0.123]
% of own resources in LG budget	-0.106*** [0.0363]	-0.0505 [0.0367]	-0.108*** [0.0365]	-0.0184 [0.0434]	-0.0932** [0.0366]	-0.077 [0.0569]	-0.00081 [0.0674]	-0.121 [0.0826]	-0.023 [0.0983]	-0.123** [0.0582]	-0.121** [0.0584]	-0.119** [0.0587]	-0.119** [0.0588]
size indicator	0.0912*** [0.00805]	0.0854*** [0.00799]	0.0893*** [0.00807]	0.0979*** [0.00985]	0.0929*** [0.00805]	0.0910*** [0.0128]	0.0985*** [0.0156]	0.0864*** [0.0180]	0.0960*** [0.0219]	0.0905*** [0.0127]	0.0918*** [0.0127]	0.0926*** [0.0127]	0.0927*** [0.0128]
ratio of local population with higher education	0.00154 [0.00105]	0.00397*** [0.00109]	0.00154 [0.00106]	-0.00134 [0.00140]	0.00171 [0.00106]	0.00161 [0.00168]	-0.00113 [0.00222]	0.00155 [0.00235]	-0.00131 [0.00313]	0.00147 [0.00166]	0.00147 [0.00166]	0.00171 [0.00166]	0.00179 [0.00167]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0416*** [0.00831]	0.0122 [0.00862]	0.0418*** [0.00837]	0.0624*** [0.0113]	0.0316*** [0.00842]	0.0406*** [0.0132]	0.0600*** [0.0179]	0.0429** [0.0187]	0.0631** [0.0251]	0.0444*** [0.0132]	0.0368*** [0.0132]	0.0317** [0.0133]	0.0357*** [0.0132]
2004 dummy	0.0333*** [0.0115]	0.0341*** [0.0115]	0.0337*** [0.0116]	0.0156 [0.0142]	0.0342*** [0.0115]	0.00366 [0.00990]	0.00149 [0.0123]						
2005 dummy	0.0289*** [0.0110]	0.0290*** [0.0110]	0.0292*** [0.0111]	0.0137 [0.0137]	0.0296*** [0.0110]								
2006 dummy	0.0223** [0.0105]	0.0218** [0.0105]	0.0225** [0.0106]	0.0109 [0.0131]	0.0227*** [0.0105]								
2007 dummy	0.00997 [0.00996]	0.00985 [0.00989]	0.0101 [0.00998]	0.00488 [0.0124]	0.0102 [0.00997]					0.0125 [0.0103]	0.012 [0.0103]	0.0125 [0.0103]	0.0128 [0.0103]
Northern Hungary region		0.116*** [0.0130]											
North great Plain Region		0.137*** [0.0131]											
South Great Plain Region		0.113*** [0.0126]											
Central Transdanubia Region		0.00771 [0.0133]											
Western Transdanubia		0.0450*** [0.0133]											
Southern Transdanubia		-0.008 [0.0137]											
Constant	-1.111*** [0.0924]	-0.911*** [0.0945]	-1.115*** [0.0936]	-1.237*** [0.115]	-1.086*** [0.0928]	-1.156*** [0.153]	-1.265*** [0.191]	-1.029*** [0.207]	-1.194*** [0.251]	-1.101*** [0.148]	-1.072*** [0.149]	-1.051*** [0.148]	-1.036*** [0.149]
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
R-squared	0.228	0.241	0.229	0.242	0.231	0.229	0.242	0.228	0.242	0.23	0.231	0.232	0.231
Robust standard errors in brackets													
*** p<0.01, ** p<0.05, * p<0.1													

Table 2

Probability models for receiving EU SFgrants and political colors 2004-2008 - Probit estimation marginal effects

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
dep.var.:gotgrant_all	all 4 years 2004-08					first cycle 2004-05	election year 2006	2007-08					
LABELS	Pooled - basemodel	region dummies	swingvoters _2002	same pol.color		swing	same	swing	same color	local elec.close	parl. elec.close	same	pol.color
political vars.:													
closeness of 2002 parliamentary elections			0.00127*** [0.000466]			0.00127* [0.000736]		0.0013 [0.00104]					
MP got elected in the second round of the			0.0272** [0.0108]			0.0289* [0.0170]		0.027 [0.0241]					
MP same color as central government 2002				0.00142 [0.00972]			0.00202 [0.0154]		0.00059 [0.0218]				
MP reelected for more than 1 term 2002				-0.0411*** [0.0101]			-0.0415*** [0.0159]		-0.0411* [0.0225]				
mayor political color same as central government 2002				-0.0221*** [0.00429]			-0.0218*** [0.00682]		-0.0225** [0.00954]				
MP same color as central government 2006					0.0354*** [0.00646]							0.0348*** [0.0102]	0.0371*** [0.0102]
MP reelected for more than 1 term 2006					-0.0492*** [0.00697]							-0.0493*** [0.0111]	
mayor political color same as central government 2006					0.0962*** [0.0155]							0.0964*** [0.0246]	0.0951*** [0.0251]
closeness of 2006 local elections									0.0473*** [0.0146]				
closeness of 2006 parliamentary elections												-0.0003 [0.000798]	
MP got elected in the second round of the election 2006												0.0390*** [0.0137]	
Number of terms Member of Parliament reelected 2006													-0.0123*** [0.00380]
socioecon.controls:													
In_population	0.176*** [0.00622]	0.161*** [0.00635]	0.176*** [0.00626]	0.192*** [0.00785]	0.174*** [0.00618]	0.177*** [0.00993]	0.192*** [0.0125]	0.173*** [0.0139]	0.191*** [0.0175]	0.178*** [0.00999]	0.174*** [0.00981]	0.173*** [0.00977]	0.172*** [0.00978]
In per capita local Personal Income Tax	0.0361*** [0.0101]	0.0334*** [0.0102]	0.0376*** [0.0101]	0.0476*** [0.0118]	0.0339*** [0.00997]	0.0401*** [0.0149]	0.0454*** [0.0174]	0.0373* [0.0226]	0.0496* [0.0265]	0.0323* [0.0175]	0.0325* [0.0173]	0.0303* [0.0173]	0.0283 [0.0174]
% of young population	0.0178 [0.0872]	-0.091 [0.0869]	0.0158 [0.0873]	0.204* [0.117]	-0.00286 [0.0868]	0.0479 [0.142]	0.268 [0.190]	-0.0198 [0.188]	0.22 [0.256]	0.0232 [0.136]	-0.00114 [0.137]	0.000466 [0.135]	-0.0166 [0.135]
% of old population	0.707*** [0.0649]	0.510*** [0.0662]	0.693*** [0.0648]	0.668*** [0.0863]	0.731*** [0.0660]	0.725*** [0.106]	0.706*** [0.141]	0.653*** [0.142]	0.653*** [0.191]	0.688*** [0.102]	0.715*** [0.101]	0.730*** [0.102]	0.696*** [0.101]
% of own resources in LG budget	0.0166 [0.0394]	0.0413 [0.0395]	0.0159 [0.0392]	0.0494 [0.0462]	0.031 [0.0392]	0.0453 [0.0623]	0.0637 [0.0728]	0.00699 [0.0878]	0.0497 [0.104]	-0.00124 [0.0624]	0.00425 [0.0624]	0.00643 [0.0622]	0.00599 [0.0625]
size indicator	-0.0726*** [0.0100]	-0.0725*** [0.0101]	-0.0757*** [0.0101]	-0.0506*** [0.0124]	-0.0664*** [0.00996]	-0.0741*** [0.0159]	-0.0502** [0.0195]	-0.0784*** [0.0225]	-0.0520* [0.0277]	-0.0729*** [0.0159]	-0.0706*** [0.0159]	-0.0667*** [0.0158]	-0.0656*** [0.0158]
ratio of local population with higher education	0.00700*** [0.00144]	0.00856*** [0.00140]	0.00695*** [0.00146]	0.00366** [0.00173]	0.00727*** [0.00142]	0.00727*** [0.00232]	0.00413 [0.00276]	0.00692** [0.00326]	0.0037 [0.00387]	0.00669*** [0.00226]	0.00681*** [0.00229]	0.00703*** [0.00224]	0.00713*** [0.00225]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0327*** [0.00747]	0.0075 [0.00889]	0.0329*** [0.00758]	0.0517*** [0.0106]	0.0163** [0.00789]	0.0318*** [0.0120]	0.0493*** [0.0168]	0.0334** [0.0169]	0.0511** [0.0236]	0.0356*** [0.0118]	0.0285** [0.0121]	0.0168 [0.0125]	0.0223* [0.0122]
dummies:													
2004 year dummy	-0.0276** [0.0132]	-0.0248* [0.0132]	-0.0289** [0.0132]	-0.0373** [0.0165]	-0.0258** [0.0130]	-0.00562 [0.0101]	-0.00627 [0.0128]						
2005 dummy	-0.0222* [0.0124]	-0.0203 [0.0124]	-0.0233* [0.0124]	-0.0305* [0.0156]	-0.0207* [0.0122]								
2006 dummy	-0.0156 [0.0114]	-0.0146 [0.0114]	-0.0164 [0.0115]	-0.0215 [0.0145]	-0.0145 [0.0113]								
2007 dummy	-0.00855 [0.0104]	-0.00791 [0.0104]	-0.00892 [0.0104]	-0.0111 [0.0133]	-0.00803 [0.0103]					-0.00758 [0.0108]	-0.00763 [0.0107]	-0.00712 [0.0106]	-0.00665 [0.0107]
Northern Hungary region		0.110*** [0.0128]											
North great Plain Region		0.126*** [0.0115]											
South Great Plain Region		0.134*** [0.0103]											
Central Transdanubia		0.0313* [0.0161]											
Western Transdanubia		0.0828*** [0.0140]											
Southern Transdanubia		0.0495*** [0.0157]											
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
Percent correctly classified	78.56	79.34	78.65	78.39	78.52	78.7	78.33	78.57	77.92	78.63	78.73	78.69	78.82
Robust standard errors in brackets													

*** p<0.01, ** p<0.05, * p<0.1

Table 3

Probability models for Local Government receiving EU SFgrants and political colors 2004-2008 - Linear Probab.Model

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
dep.var.: gotgranr LG	all 4 years 2004-08					first cycle 2004-05	election year 2006		2007-08				
LABELS	Pooled - b: region durr swingvoter same pol.color					swing	same	swing	same	pol. r local elec.c	parl. elec.c	same	color
political vars.:													
closeness of 2002 parliamentary elections		0.00415***				0.00416***		0.00420***					
		[0.000525]				[0.000831]		[0.00118]					
MP got elected in the second round of the election 2002		0.0832***				0.0843***		0.0834***					
		[0.0114]				[0.0181]		[0.0256]					
MP same color as central government 2002		0.0677***				0.0684***		0.0661***					
		[0.0107]				[0.0169]		[0.0240]					
MP reelected for more than 1 term 2002		-0.0388***				-0.0389**		-0.0401					
		[0.0117]				[0.0185]		[0.0261]					
mayor political color same as central government 2002		-0.0166***				-0.0164***		-0.0170**					
		[0.00347]				[0.00549]		[0.00779]					
MP same color as central government 2006					0.0205***							0.0208*	0.0243**
					[0.00747]							[0.0118]	[0.0118]
MP reelected for more than 1 term 2006		-0.0618***				-0.0618***						-0.0621***	
		[0.00921]				[0.00921]						[0.0146]	
mayor political color same as central government 2006					0.0052							0.00595	0.00602
					[0.0164]							[0.0260]	[0.0259]
closeness of 2006 local elections									0.0577***				
									[0.0172]				
closeness of 2006 parliamentary elections										0.000418			
										[0.000932]			
MP got elected in the second round of the election 2006										0.0421***			
										[0.0157]			
Number of terms Member of Parliament reelected 2006													-0.00934**
													[0.00450]
socioecon.controls:													
In_population	0.173***	0.152***	0.172***	0.156***	0.172***	0.175***	0.156***	0.170***	0.154***	0.175***	0.172***	0.171***	0.170***
	[0.00580]	[0.00608]	[0.00584]	[0.00728]	[0.00585]	[0.00924]	[0.0115]	[0.0131]	[0.0161]	[0.00938]	[0.00921]	[0.00928]	[0.00929]
In per capita local personal income tax base	0.0229**	0.0211**	0.0279***	0.0467***	0.0243**	0.0377**	0.0519***	0.0214	0.0438	0.0151	0.0155	0.015	0.0134
	[0.0104]	[0.0103]	[0.0106]	[0.0128]	[0.0104]	[0.0157]	[0.0191]	[0.0234]	[0.0282]	[0.0179]	[0.0178]	[0.0178]	[0.0178]
% of young population	0.350***	0.171*	0.386***	0.598***	0.368***	0.407**	0.689***	0.412**	0.589**	0.361**	0.330**	0.346**	0.333**
	[0.0991]	[0.101]	[0.0985]	[0.129]	[0.100]	[0.168]	[0.224]	[0.187]	[0.230]	[0.162]	[0.162]	[0.162]	[0.162]
% of old population	0.667***	0.419***	0.651***	0.592***	0.721***	0.636***	0.591***	0.656***	0.563***	0.713***	0.704***	0.746***	0.709***
	[0.0719]	[0.0757]	[0.0720]	[0.0953]	[0.0745]	[0.123]	[0.166]	[0.142]	[0.176]	[0.119]	[0.116]	[0.120]	[0.120]
% of own resources in LG budget	-0.143***	-0.0865**	-0.128***	-0.157***	-0.126***	-0.102	-0.134*	-0.137	-0.163	-0.166***	-0.151**	-0.151**	-0.155**
	[0.0396]	[0.0401]	[0.0397]	[0.0455]	[0.0398]	[0.0646]	[0.0742]	[0.0872]	[0.0999]	[0.0620]	[0.0618]	[0.0620]	[0.0622]
size indicator	-0.0321***	-0.0368***	-0.0338***	-0.0567***	-0.0330***	-0.0320**	-0.0566***	-0.0362*	-0.0586**	-0.0355***	-0.0320**	-0.0336**	-0.0333**
	[0.00860]	[0.00867]	[0.00867]	[0.0106]	[0.00879]	[0.0137]	[0.0168]	[0.0194]	[0.0236]	[0.0137]	[0.0137]	[0.0139]	[0.0139]
ratio of local population with higher education	0.00634***	0.00906***	0.00701***	0.00423***	0.00657***	0.00723***	0.00439*	0.00712***	0.00439	0.00625***	0.00591***	0.00634***	0.00648***
	[0.00118]	[0.00121]	[0.00118]	[0.00152]	[0.00119]	[0.00189]	[0.00241]	[0.00263]	[0.00338]	[0.00186]	[0.00186]	[0.00186]	[0.00187]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0364***	0.00337	0.0359***	0.0482***	0.0225**	0.0329**	0.0436**	0.0370*	0.0496	0.0414***	0.0358**	0.0248*	0.0329**
	[0.00915]	[0.00985]	[0.00926]	[0.0135]	[0.00944]	[0.0146]	[0.0215]	[0.0207]	[0.0301]	[0.0146]	[0.0147]	[0.0150]	[0.0148]
dummies:													
2004 dummy	-0.0185	-0.0163	-0.0225*	-0.0375**	-0.0195	-0.00586	-0.00794						
	[0.0134]	[0.0133]	[0.0135]	[0.0168]	[0.0134]	[0.0112]	[0.0141]						
2005 dummy	-0.0144	-0.013	-0.0177	-0.0303*	-0.0152								
	[0.0129]	[0.0128]	[0.0129]	[0.0161]	[0.0129]								
2006 dummy	-0.0097	-0.00913	-0.0122	-0.0215	-0.0102								
	[0.0121]	[0.0120]	[0.0121]	[0.0152]	[0.0121]								
2007 dummy	-0.00527	-0.00486	-0.00642	-0.0106	-0.00558				-0.00348	-0.00356	-0.00345	-0.00308	
	[0.0113]	[0.0113]	[0.0113]	[0.0142]	[0.0113]				[0.0118]	[0.0118]	[0.0118]	[0.0118]	
Northern Hungary region		0.111***											
		[0.0176]											
North great Plain Region		0.116***											
		[0.0184]											
South Great Plain Region		0.124***											
		[0.0188]											
Central Transdanubia Region		-0.0216											
		[0.0174]											
Western Transdanubia Region		0.0325*											
		[0.0172]											
Southern Transdanubia Region		0.00602											
		[0.0175]											
Constant	-0.887***	-0.692***	-1.021***	-0.755***	-0.856***	-1.111***	-0.832***	-0.983***	-0.731**	-0.886***	-0.879***	-0.809***	-0.811***
	[0.103]	[0.104]	[0.104]	[0.129]	[0.104]	[0.168]	[0.211]	[0.236]	[0.287]	[0.168]	[0.167]	[0.168]	[0.169]
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
R-squared	0.226	0.235	0.23	0.229	0.229	0.23	0.229	0.23	0.229	0.228	0.228	0.229	0.228
Robust standard errors in brackets													

*** p<0.01, ** p<0.05, * p<0.1

Table 4

Probability models for Local Government receiving EU SFgrants and political colors 2004-2008 - Probit estimation marginal effects

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
dep.var.:gotgrant_LG	all 4 years 2004-08					first cycle 2004-05		election year 2006		2007-08			
LABELS	Pooled - basemodel	region dummies	swingvote rs_2002	same pol.color		swing	same	swing	same color	local elec.close	parl. elec.close	same color	
political vars.:													
closeness of 2002 parliamentary elections			0.00588*** [0.000663]			0.00590*** [0.00105]		0.00594*** [0.00148]					
MP got elected in the second round of the election 2002			0.106*** [0.0139]			0.108*** [0.0220]		0.107*** [0.0311]					
MP same color as central government 2002				0.0793*** [0.0129]			0.0803*** [0.0204]		0.0775*** [0.0289]				
MP reelected for more than 1 term 2002				-0.0503*** [0.0146]			-0.0501** [0.0231]		-0.0518 [0.0327]				
mayor political color same as central government 2002				-0.0203*** [0.00626]			-0.0200** [0.00994]		-0.0208 [0.0140]				
MP same color as central government 2006					0.0216** [0.00919]							0.0216 [0.0145]	0.0257* [0.0145]
MP reelected for more than 1 term 2006					-0.0831*** [0.0113]							-0.0828*** [0.0179]	
mayor political color same as central government 2006					0.0442* [0.0254]							0.0455 [0.0401]	0.0449 [0.0399]
closeness of 2006 local elections									0.0705*** [0.0211]				
closeness of 2006 parliamentary elections											0.00121 [0.00118]		
MP got elected in the second round of the election 2006											0.0554*** [0.0194]		
Number of terms Member of Parliament reelected 2006													-0.0132** [0.00558]
socioecon.controls:													
In_population	0.214*** [0.00853]	0.195*** [0.00878]	0.216*** [0.00860]	0.195*** [0.0106]	0.213*** [0.00858]	0.219*** [0.0136]	0.197*** [0.0166]	0.212*** [0.0193]	0.193*** [0.0237]	0.215*** [0.0138]	0.213*** [0.0136]	0.211*** [0.0136]	0.209*** [0.0136]
In per capita local personal income tax base	0.0575*** [0.0146]	0.0552*** [0.0141]	0.0656*** [0.0151]	0.0846*** [0.0185]	0.0591*** [0.0146]	0.0791*** [0.0228]	0.0901*** [0.0277]	0.0550* [0.0333]	0.0795* [0.0410]	0.0483* [0.0250]	0.0486* [0.0249]	0.0481* [0.0249]	0.0455* [0.0248]
% of young population	0.482*** [0.137]	0.290** [0.137]	0.552*** [0.138]	0.787*** [0.183]	0.510*** [0.139]	0.574** [0.226]	0.910*** [0.297]	0.617** [0.295]	0.841** [0.394]	0.485** [0.217]	0.465** [0.218]	0.466** [0.218]	0.443** [0.217]
% of old population	0.946*** [0.100]	0.681*** [0.103]	0.944*** [0.101]	0.890*** [0.134]	1.025*** [0.104]	0.932*** [0.165]	0.912*** [0.219]	0.966*** [0.222]	0.889*** [0.294]	0.999*** [0.160]	0.981*** [0.157]	1.037*** [0.162]	0.978*** [0.161]
% of own resources in LG budget	-0.158*** [0.0505]	-0.0983* [0.0507]	-0.138*** [0.0506]	-0.184*** [0.0581]	-0.135*** [0.0506]	-0.101 [0.0813]	-0.156* [0.0936]	-0.153 [0.112]	-0.192 [0.128]	-0.188** [0.0793]	-0.172** [0.0793]	-0.170** [0.0793]	-0.172** [0.0795]
size indicator	-0.0742*** [0.0127]	-0.0787*** [0.0126]	-0.0772*** [0.0129]	-0.105*** [0.0156]	-0.0761*** [0.0129]	-0.0762*** [0.0203]	-0.105*** [0.0246]	-0.0793*** [0.0288]	-0.106*** [0.0348]	-0.0790*** [0.0203]	-0.0732*** [0.0201]	-0.0760*** [0.0204]	-0.0756*** [0.0203]
ratio of local population with higher education	0.0125*** [0.00177]	0.0158*** [0.00179]	0.0134*** [0.00179]	0.00928*** [0.00214]	0.0130*** [0.00181]	0.0138*** [0.00285]	0.00963*** [0.00339]	0.0137*** [0.00402]	0.00965** [0.00479]	0.0125*** [0.00279]	0.0118*** [0.00281]	0.0126*** [0.00284]	0.0126*** [0.00282]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0385*** [0.0115]	0.00364 [0.0124]	0.0376*** [0.0117]	0.0487*** [0.0170]	0.0201* [0.0118]	0.0337* [0.0185]	0.0425 [0.0269]	0.0385 [0.0261]	0.0488 [0.0378]	0.0454** [0.0182]	0.0399** [0.0183]	0.0235 [0.0187]	0.0343* [0.0184]
dummies:													
2004 dummy	-0.0445*** [0.0172]	-0.0417** [0.0171]	-0.0509*** [0.0175]	-0.0659*** [0.0217]	-0.0457*** [0.0173]	-0.0114 [0.0140]	-0.013 [0.0176]						
2005 dummy	-0.0358** [0.0165]	-0.0340** [0.0164]	-0.0411** [0.0166]	-0.0539*** [0.0206]	-0.0368** [0.0165]								
2006 dummy	-0.0253 [0.0154]	-0.0245 [0.0153]	-0.0292* [0.0155]	-0.0386** [0.0193]	-0.0259* [0.0154]								
2007 dummy	-0.0132 [0.0142]	-0.0126 [0.0142]	-0.015 [0.0143]	-0.0192 [0.0179]	-0.0135 [0.0143]					-0.0111 [0.0150]	-0.0111 [0.0150]	-0.011 [0.0150]	-0.0104 [0.0150]
Northern Hungary region			0.160*** [0.0217]										
North great Plain Region			0.158*** [0.0229]										
South Great Plain Region			0.169*** [0.0235]										
Central Transdanubia			0.00537 [0.0224]										
Western Transdanubia			0.0914*** [0.0220]										
Southern Transdanubia			0.0516** [0.0226]										
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
Percent correctly classified	70.95	71.68	71.01	71.94	70.88	71.01	72	71.05	71.93	71.05	70.84	70.87	71.07
Robust standard errors in brackets													
*** p<0.01, ** p<0.05, * p<0.1													

Table 5

Probability models for receiving EU Regional OP grants and political colors 2004-2008 - Linear Prob.Model estimation

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13	
dep.var.: gotgrant_ROF	all 4 years 2004-08					first cycle 2004-05	election year 2006			2007-08				
LABELS	Pooled - b:region durr swingvoter same pol.c gotgrant_R					swing	same			swing	same color local elec.c parl. elec.c same color gotgrant_R			
<i>political vars.:</i>														
closeness of 2002 parliamentary elections		-0.00052				-0.00052			-0.00053					
		[0.000439]				[0.000695]			[0.000982]					
MP got elected in the second round of the election 2002		0.0660***				0.0670***			0.0659***					
		[0.00968]				[0.0153]			[0.0217]					
MP same color as central government 2002		0.0320***				0.0325**			0.0314					
		[0.00959]				[0.0152]			[0.0215]					
MP reelected for more than 1 term 2002		0.00365				0.0036			0.00298					
		[0.00992]				[0.0157]			[0.0222]					
mayor political color same as central government 2002		-0.00335				-0.00329			-0.0034					
		[0.00286]				[0.00452]			[0.00641]					
MP same color as central government 2006		0.0364***									0.0350***	0.0349***		
		[0.00653]									[0.0103]	[0.0103]		
MP reelected for more than 1 term 2006		-0.00079									0.00363			
		[0.00757]									[0.0119]			
mayor political color same as central government 2006		0.0146									0.0142	0.0144		
		[0.0164]									[0.0259]	[0.0259]		
closeness of 2006 local elections									-0.0089					
									[0.0141]					
closeness of 2006 parliamentary elections											-0.00576***			
											[0.000758]			
MP got elected in the second round of the election 2006											-0.0317**			
											[0.0126]			
Number of terms Member of Parliament reelected 2006													-0.0033	
													[0.00367]	
received funds from NFT (first EU cycle 2004-2006)									0.0669***	0.0643***	0.0654***	0.0646***		
									[0.0101]	[0.0101]	[0.0101]	[0.0101]		
<i>socioecon.controls:</i>														
In_population	0.114***	0.0954***	0.108***	0.102***	0.114***	0.109***	0.103***	0.107***	0.0996***	0.102***	0.0948***	0.102***	0.102***	
	[0.00487]	[0.00499]	[0.00492]	[0.00601]	[0.00491]	[0.00784]	[0.00957]	[0.0109]	[0.0133]	[0.00796]	[0.00793]	[0.00794]	[0.00795]	
In per capita local pers	0.0524***	0.0689***	0.0597***	0.0631***	0.0534***	0.0545***	0.0608***	0.0637***	0.0660***	0.0598***	0.0613***	0.0605***	0.0600***	
	[0.00932]	[0.00904]	[0.00919]	[0.0110]	[0.00937]	[0.0142]	[0.0167]	[0.0196]	[0.0240]	[0.0154]	[0.0150]	[0.0154]	[0.0154]	
% of young population	0.470***	0.104	0.431***	0.455***	0.449***	0.505***	0.489***	0.307	0.276	0.492***	0.357***	0.481***	0.481***	
	[0.0852]	[0.0770]	[0.0859]	[0.116]	[0.0860]	[0.134]	[0.180]	[0.189]	[0.227]	[0.124]	[0.125]	[0.124]	[0.124]	
% of old population	0.423***	0.206***	0.419***	0.334***	0.442***	0.473***	0.354***	0.338***	0.222	0.396***	0.335***	0.416***	0.417***	
	[0.0555]	[0.0513]	[0.0556]	[0.0743]	[0.0580]	[0.0871]	[0.117]	[0.128]	[0.150]	[0.0801]	[0.0786]	[0.0809]	[0.0806]	
% of own resources in L	0.0782**	0.160***	0.105***	0.0706*	0.0796**	0.115**	0.0742	0.105	0.0757	0.0733	0.103*	0.0776	0.0804	
	[0.0347]	[0.0338]	[0.0346]	[0.0395]	[0.0352]	[0.0552]	[0.0633]	[0.0768]	[0.0879]	[0.0550]	[0.0543]	[0.0553]	[0.0553]	
size indicator	-0.115***	-0.107***	-0.113***	-0.133***	-0.110***	-0.112***	-0.133***	-0.114***	-0.136***	-0.117***	-0.115***	-0.113***	-0.113***	
	[0.00751]	[0.00742]	[0.00752]	[0.00905]	[0.00767]	[0.0119]	[0.0143]	[0.0168]	[0.0201]	[0.0119]	[0.0119]	[0.0121]	[0.0121]	
ratio of local population with	0.00919***	0.00840***	0.0103***	0.00741***	0.00984***	0.0105***	0.00760***	0.0101***	0.00705**	0.00910***	0.0101***	0.00968***	0.00968***	
	[0.00102]	[0.000963]	[0.00101]	[0.00136]	[0.00104]	[0.00160]	[0.00214]	[0.00226]	[0.00306]	[0.00161]	[0.00157]	[0.00162]	[0.00162]	
Munic. Belongs to special program for the least developed 33	0.0282***	-0.0243***	0.0150*	0.0470**	0.0230***	0.0143	0.0452**	0.0165	0.0514*	0.0218*	0.00976	0.0182	0.0166	
small regions (LHH)	[0.00817]	[0.00913]	[0.00836]	[0.0122]	[0.00843]	[0.0132]	[0.0193]	[0.0186]	[0.0271]	[0.0129]	[0.0130]	[0.0132]	[0.0131]	
<i>dummies:</i>														
2004 dummy	-0.0411***	-0.0509***	-0.0462***	-0.0485***	-0.0417***	-0.0074	-0.00793							
	[0.0118]	[0.0115]	[0.0117]	[0.0144]	[0.0118]	[0.00959]	[0.0120]							
2005 dummy	-0.0340***	-0.0429***	-0.0384***	-0.0404***	-0.0345***									
	[0.0112]	[0.0109]	[0.0111]	[0.0137]	[0.0112]									
2006 dummy	-0.0244**	-0.0319***	-0.0278***	-0.0295**	-0.0248**									
	[0.0105]	[0.0102]	[0.0104]	[0.0130]	[0.0105]									
2007 dummy	-0.0121	-0.0158*	-0.0137	-0.0144	-0.0123					-0.0138	-0.0141	-0.0139	-0.0138	
	[0.00970]	[0.00945]	[0.00967]	[0.0121]	[0.00974]					[0.0101]	[0.0100]	[0.0101]	[0.0101]	
Northern Hungary region	-0.148***													
	[0.0164]													
North great Plain Region	-0.184***													
	[0.0172]													
South Great Plain Region	-0.214***													
	[0.0184]													
Central Transdanubia Region	-0.365***													
	[0.0152]													
Western Transdanubia Region	-0.318***													
	[0.0150]													
Southern Transdanubia Region	-0.244***													
	[0.0158]													
Constant	-0.439***	-0.0653	-0.467***	-0.307***	-0.482***	-0.520***	-0.354**	-0.460**	-0.265	-0.410***	-0.257*	-0.457***	-0.442***	
	[0.0890]	[0.0874]	[0.0893]	[0.109]	[0.0904]	[0.147]	[0.178]	[0.202]	[0.245]	[0.141]	[0.142]	[0.142]	[0.143]	
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252	
R-squared	0.286	0.323	0.291	0.293	0.287	0.292	0.293	0.291	0.292	0.29	0.297	0.291	0.291	
Robust standard errors in brackets														
*** p<0.01, ** p<0.05, * p<0.1														

Table6

Probability models for receiving from EU *Regional OP* grants and political colors 2004-2008 - Probit estimation marginal effects

dep.var.: gotgrant_ROP	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
	all years 2004-08					first cycle 2004-05	election year 2006	2007-08					
LABELS	Pooled - basemodel	region dummies	swingvoters _2002	same pol.color		swing	same	swing	same color	local elec.close	parl. elec.close	same pol.color	
<i>political.vars.:</i>													
closeness of 2002 parliamentary elections			-0.000924* [0.000530]			-0.00092 [0.000839]		-0.00094 [0.00118]					
MP got elected in the second round of the election 2002			0.0808*** [0.0108]			0.0816*** [0.0170]		0.0810*** [0.0241]					
MP same color as central government 2002				0.0413*** [0.0108]			0.0421** [0.0171]		0.0409* [0.0242]				
MP reelected for more than 1 term 2002				0.00303 [0.0121]			0.00341 [0.0191]		0.00198 [0.0270]				
mayor political color same as central government 2002				-0.00768 [0.00605]			-0.00774 [0.00961]		-0.00754 [0.0135]				
MP same color as central government 2006					0.0453*** [0.00779]							0.0428*** [0.0122]	0.0421*** [0.0121]
MP reelected for more than 1 term 2006					0.00535 [0.00920]							0.0129 [0.0141]	
mayor political color same as central government 2006					0.00875 [0.0183]							0.00728 [0.0280]	0.00807 [0.0282]
closeness of 2006 local elections										-0.00701 [0.0180]			
received funds from NFT (first EU cycle 2004-2006)										0.0928*** [0.0140]	0.0888*** [0.0139]	0.0917*** [0.0140]	0.0902*** [0.0141]
closeness of 2006 parliamentary elections													-0.00758*** [0.00103]
MP got elected in the second round of the election 2006													-0.0436*** [0.0162]
Number of terms Member of Parliament reelected 2006													-0.00336 [0.00446]
In_population	0.176*** [0.00724]	0.150*** [0.00758]	0.167*** [0.00732]	0.162*** [0.00921]	0.175*** [0.00729]	0.168*** [0.0116]	0.164*** [0.0147]	0.165*** [0.0162]	0.159*** [0.0200]	0.159*** [0.0117]	0.151*** [0.0117]	0.158*** [0.0117]	0.158*** [0.0117]
In per capita local personal income tax base	0.0386*** [0.0118]	0.0506*** [0.0112]	0.0477*** [0.0119]	0.0534*** [0.0147]	0.0402*** [0.0118]	0.0409** [0.0177]	0.0502** [0.0221]	0.0558** [0.0255]	0.0584* [0.0315]	0.0416** [0.0193]	0.0449** [0.0187]	0.0433** [0.0192]	0.0425** [0.0193]
% of young population	0.715*** [0.142]	0.19 [0.119]	0.650*** [0.141]	0.632*** [0.176]	0.674*** [0.144]	0.790*** [0.205]	0.726*** [0.276]	0.424 [0.260]	0.362 [0.285]	0.799*** [0.191]	0.629*** [0.189]	0.768*** [0.190]	0.769*** [0.191]
% of old population	0.625*** [0.109]	0.301*** [0.0895]	0.569*** [0.107]	0.411*** [0.133]	0.630*** [0.111]	0.674*** [0.155]	0.476** [0.211]	0.398** [0.201]	0.22 [0.216]	0.669*** [0.144]	0.584*** [0.137]	0.673*** [0.143]	0.676*** [0.143]
% of own resources in LG budget	0.0291 [0.0415]	0.144*** [0.0404]	0.0648 [0.0411]	0.0314 [0.0480]	0.0331 [0.0417]	0.0747 [0.0647]	0.034 [0.0757]	0.0699 [0.0917]	0.0411 [0.106]	0.0219 [0.0655]	0.0509 [0.0651]	0.0264 [0.0655]	0.0296 [0.0656]
size indicator	-0.0479*** [0.0105]	-0.0473*** [0.0105]	-0.0464*** [0.0105]	-0.0688*** [0.0131]	-0.0443*** [0.0105]	-0.0451*** [0.0166]	-0.0680*** [0.0208]	-0.0481** [0.0235]	-0.0714** [0.0290]	-0.0487*** [0.0162]	-0.0452*** [0.0161]	-0.0451*** [0.0162]	-0.0454*** [0.0163]
ratio of local population with higher education	0.0119*** [0.00133]	0.0122*** [0.00143]	0.0131*** [0.00134]	0.00999*** [0.00175]	0.0127*** [0.00134]	0.0136*** [0.00211]	0.0104*** [0.00275]	0.0127*** [0.00296]	0.00937** [0.00390]	0.0117*** [0.00206]	0.0130*** [0.00208]	0.0124*** [0.00207]	0.0125*** [0.00207]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0387*** [0.0108]	-0.0108 [0.00995]	0.0265** [0.0105]	0.0566*** [0.0155]	0.0352*** [0.0109]	0.0253 [0.0166]	0.0536** [0.0244]	0.0292 [0.0235]	0.0636* [0.0342]	0.0267 [0.0166]	0.0155 [0.0161]	0.0253 [0.0166]	0.0225 [0.0164]
2004 dummy	-0.0306** [0.0136]	-0.0358*** [0.0132]	-0.0364*** [0.0135]	-0.0403** [0.0167]	-0.0314** [0.0136]	-0.00626 [0.0117]	-0.00725 [0.0147]						
2005 dummy	-0.0249* [0.0130]	-0.0303** [0.0127]	-0.0300** [0.0129]	-0.0334** [0.0161]	-0.0256* [0.0131]								
2006 dummy	-0.0175 [0.0124]	-0.0224* [0.0121]	-0.0215* [0.0123]	-0.0243 [0.0154]	-0.0181 [0.0125]								
2007 dummy	-0.00864 [0.0117]	-0.0113 [0.0116]	-0.0107 [0.0116]	-0.0118 [0.0146]	-0.00901 [0.0118]					-0.00937 [0.0123]	-0.0101 [0.0122]	-0.00977 [0.0123]	-0.00959 [0.0123]
Northern Hungary region		-0.0850*** [0.0138]											
North great Plain Region		-0.123*** [0.0120]											
South Great Plain Region		-0.143*** [0.0106]											
Central Transdanubia Region		-0.229*** [0.00680]											
Western Transdanubia Region		-0.236*** [0.00913]											
Southern Transdanubia Region		-0.162*** [0.0117]											
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
Percent correctly classified	80.57	81.02	80.53	80.19	80.27	80.56	80.22	80.52	80.34	80.34	80.68	80.2	80.36
Robust standard errors in brackets													
*** p<0.01, ** p<0.05, * p<0.1													

Table 7

Probability models for Local Govt. receiving EU Regional OP grants and political colors 2004-2008 -Linear estimation

	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
dep.var.: gotgrant_LG_ROP	all 4 years 2004-08					first cycle 2004-05	election year 2006		2007-08				
LABELS	Pooled - basemodel	region dummies	swingvote rs_2002	same pol.color		swing	same	swing	same	local elec.close	parl. elec.close	same pol. color	
political vars.:													
<i>closeness of 2002 parliamentary elections</i>			-0.00015 [0.000424]			-0.00015 [0.000671]		-0.00014 [0.000950]					
MP got elected in the second round of the election			0.0517*** [0.00943]			0.0526*** [0.0149]		0.0516** [0.0211]					
MP same color as central government 2002				0.0360*** [0.00940]			0.0368** [0.0149]		0.0351* [0.0211]				
MP reelected for more than 1 term 2002				0.00488 [0.00953]			0.00515 [0.0151]		0.00403 [0.0214]				
mayor political color same as central government 2002				-0.00042 [0.00283]			-0.00039 [0.00448]		-0.00046 [0.00636]				
MP same color as central government 2006					0.0361*** [0.00633]							0.0323*** [0.00924]	0.0309*** [0.00922]
MP reelected for more than 1 term 2006					-0.0025 [0.00731]							0.0258** [0.0107]	
mayor political color same as central government 2006					0.00315 [0.0159]							0.00494 [0.0231]	0.00497 [0.0231]
closeness of 2006 local elections									-0.0226* [0.0126]				
closeness of 2006 parliamentary elections										-0.00486*** [0.000686]			
MP got elected in the second round of the election 2006										-0.0461*** [0.0114]			
Number of terms Member of Parliament reelected 2006													0.00293 [0.00332]
local government has received funds from NFT									0.324*** [0.0108]	0.322*** [0.0107]	0.324*** [0.0108]	0.323*** [0.0108]	
socioecon.controls:													
ln_population	0.110*** [0.00472]	0.0901*** [0.00485]	0.105*** [0.00476]	0.0907*** [0.00580]	0.110*** [0.00477]	0.107*** [0.00752]	0.0919*** [0.00914]	0.104*** [0.0107]	0.0877*** [0.0129]	0.0572*** [0.00669]	0.0521*** [0.00660]	0.0577*** [0.00663]	0.0584*** [0.00665]
In per capita local personal income tax base	0.0603*** [0.00880]	0.0651*** [0.00857]	0.0680*** [0.00862]	0.0631*** [0.0106]	0.0616*** [0.00887]	0.0660*** [0.0126]	0.0629*** [0.0153]	0.0688*** [0.0194]	0.0642*** [0.0239]	0.0552*** [0.0140]	0.0561*** [0.0136]	0.0562*** [0.0140]	0.0568*** [0.0141]
% of young population	0.451*** [0.0815]	0.143* [0.0742]	0.425*** [0.0820]	0.508*** [0.115]	0.436*** [0.0825]	0.487*** [0.128]	0.550*** [0.174]	0.323* [0.182]	0.334 [0.230]	0.379*** [0.115]	0.274** [0.115]	0.372*** [0.114]	0.377*** [0.114]
% of old population	0.437*** [0.0521]	0.232*** [0.0489]	0.430*** [0.0521]	0.362*** [0.0731]	0.461*** [0.0546]	0.475*** [0.0811]	0.385*** [0.112]	0.363*** [0.122]	0.253* [0.152]	0.252*** [0.0750]	0.197*** [0.0732]	0.262*** [0.0757]	0.278*** [0.0756]
% of own resources in LG budget	0.0630* [0.0329]	0.133*** [0.0325]	0.0850*** [0.0329]	0.0702* [0.0379]	0.0640* [0.0333]	0.0930* [0.0522]	0.0712 [0.0600]	0.0854 [0.0737]	0.0763 [0.0851]	0.0931* [0.0483]	0.111** [0.0479]	0.0921* [0.0486]	0.0940* [0.0485]
size indicator	-0.123*** [0.00733]	-0.121*** [0.00729]	-0.122*** [0.00734]	-0.141*** [0.00877]	-0.118*** [0.00751]	-0.120*** [0.0116]	-0.140*** [0.0139]	-0.123*** [0.0164]	-0.143*** [0.0195]	-0.102*** [0.0104]	-0.102*** [0.0104]	-0.0988*** [0.0106]	-0.0990*** [0.0106]
ratio of local population with higher education	0.00852*** [0.00102]	0.00932*** [0.000996]	0.00932*** [0.00102]	0.00826*** [0.00134]	0.00916*** [0.00104]	0.00962*** [0.00161]	0.00852*** [0.00210]	0.00915*** [0.00228]	0.00790*** [0.00300]	0.00643*** [0.00145]	0.00730*** [0.00143]	0.00703*** [0.00147]	0.00698*** [0.00147]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0423*** [0.00789]	-0.0108 [0.00889]	0.0320*** [0.00808]	0.0691*** [0.0120]	0.0371*** [0.00814]	0.0305** [0.0127]	0.0662*** [0.0190]	0.0341* [0.0181]	0.0740*** [0.0268]	0.0221* [0.0114]	0.0146 [0.0115]	0.0236** [0.0117]	0.0200* [0.0116]
2004 dummy	-0.0468*** [0.0112]	-0.0484*** [0.0110]	-0.0523*** [0.0111]	-0.0488*** [0.0138]	-0.0477*** [0.0113]	-0.00877 [0.00922]	-0.0083 [0.0116]						
2005 dummy	-0.0388*** [0.0107]	-0.0407*** [0.0105]	-0.0435*** [0.0106]	-0.0406*** [0.0133]	-0.0395*** [0.0108]								
2006 dummy	-0.0280*** [0.0101]	-0.0301*** [0.00988]	-0.0316*** [0.0100]	-0.0295** [0.0125]	-0.0286*** [0.0101]								
2007 dummy	-0.0139 [0.00936]	-0.015 [0.00920]	-0.0156* [0.00934]	-0.0143 [0.0117]	-0.0142 [0.00940]					-0.0127 [0.00907]	-0.0129 [0.00899]	-0.0129 [0.00907]	-0.0131 [0.00908]
Northern Hungary region			-0.0161 [0.0172]										
North great Plain Region			-0.0577*** [0.0179]										
South Great Plain Region			-0.0819*** [0.0190]										
Central Transdanubia Region			-0.220*** [0.0160]										
Western Transdanubia Region			-0.183*** [0.0157]										
Southern Transdanubia Region			-0.112*** [0.0165]										
Constant	-0.423*** [0.0859]	-0.119 [0.0847]	-0.463*** [0.0857]	-0.246** [0.105]	-0.467*** [0.0875]	-0.539*** [0.138]	-0.311* [0.167]	-0.447** [0.198]	-0.194 [0.239]	-0.207* [0.123]	-0.0712 [0.123]	-0.278** [0.124]	-0.274** [0.125]
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
R-squared	0.294	0.317	0.297	0.296	0.295	0.297	0.296	0.296	0.295	0.399	0.403	0.401	0.4

Robust standard errors in brackets

*** p<0.01, ** p<0.05, * p<0.1

Table 8

Probability models for Local Gov. receiving EU Regional OP grants and political colors 2004-2008 - Probit estimation marginal effects													
<i>dep.var.: gotgrant_LG_ROP</i>	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
	all 4 years 2004-08					first cycle 2004-05	election year 2006		2007-08				
LABELS	Pooled - basemodel	region dummies	swingvoters _2002	same.pol.color		swing	same	swing	same color	local elec.close	parl. elec.close	same.pol. color	
political vars.:													
closeness of 2002 parliamentary elections			-0.000501 [0.000496]			-0.00049 [0.000786]		-0.00052 [0.00111]					
MP got elected in the second round of the election			0.0627*** [0.0102]			0.0635*** [0.0162]		0.0628*** [0.0229]					
MP same color as central government 2002				0.0450*** [0.0103]			0.0461*** [0.0162]		0.0442* [0.0229]				
MP reelected for more than 1 term 2002				0.0056 [0.0113]			0.00629 [0.0178]		0.00419 [0.0252]				
mayor political color same as central government 2002				-0.00336 [0.00549]			-0.00346 [0.00873]		-0.00319 [0.0123]				
MP same color as central government 2006					0.0437*** [0.00732]							0.0390*** [0.0107]	0.0375*** [0.0107]
MP reelected for more than 1 term 2006					0.00414 [0.00856]							0.0342*** [0.0108]	
mayor political color same as central government 2006					-0.00996 [0.0155]							-0.00421 [0.0214]	-0.00381 [0.0215]
closeness of 2006 local elections										-0.0255 [0.0160]			
local government has recieved funds from NFT										0.332*** [0.0112]	0.329*** [0.0111]	0.333*** [0.0112]	0.331*** [0.0111]
closeness of 2006 parliamentary elections													
MP got elected in the second round of the election 2006													
Number of terms Member of Parliament reelected 2006													0.00402 [0.00376]
socioecon.controls:													
In_population	0.171*** [0.00680]	0.144*** [0.00701]	0.164*** [0.00689]	0.145*** [0.00874]	0.171*** [0.00686]	0.166*** [0.0109]	0.147*** [0.0139]	0.161*** [0.0152]	0.141*** [0.0189]	0.0985*** [0.00977]	0.0908*** [0.00978]	0.0971*** [0.00972]	0.0986*** [0.00974]
In per capita local personal income tax base													
	0.0397*** [0.0111]	0.0392*** [0.00979]	0.0493*** [0.0113]	0.0464*** [0.0136]	0.0417*** [0.0111]	0.0486*** [0.0166]	0.0467*** [0.0201]	0.0520*** [0.0248]	0.0485 [0.0295]	0.0192 [0.0161]	0.0213 [0.0156]	0.0217 [0.0161]	0.0227 [0.0162]
% of young population	0.686*** [0.137]	0.191* [0.109]	0.638*** [0.134]	0.682*** [0.173]	0.653*** [0.139]	0.755*** [0.192]	0.794*** [0.258]	0.435* [0.246]	0.419 [0.274]	0.584*** [0.169]	0.452*** [0.167]	0.552*** [0.168]	0.562*** [0.169]
% of old population	0.613*** [0.105]	0.280*** [0.0832]	0.561*** [0.102]	0.417*** [0.133]	0.621*** [0.107]	0.647*** [0.144]	0.489** [0.202]	0.405** [0.191]	0.231 [0.211]	0.467*** [0.131]	0.397*** [0.127]	0.450*** [0.131]	0.479*** [0.131]
% of own resources in LG budget	-0.00583 [0.0386]	0.0973*** [0.0368]	0.0262 [0.0383]	0.0267 [0.0449]	-0.00127 [0.0388]	0.0368 [0.0599]	0.029 [0.0700]	0.0288 [0.0860]	0.0353 [0.101]	0.00655 [0.0590]	0.0265 [0.0584]	0.00937 [0.0587]	0.0104 [0.0588]
size indicator	-0.0399*** [0.00975]	-0.0411*** [0.00962]	-0.0390*** [0.00980]	-0.0658*** [0.0123]	-0.0376*** [0.00985]	-0.0376** [0.0155]	-0.0646*** [0.0196]	-0.0408* [0.0218]	-0.0687** [0.0272]	-0.0273** [0.0136]	-0.0280** [0.0134]	-0.0257* [0.0136]	-0.0256* [0.0136]
ratio of local population with higher education													
	0.0103*** [0.00125]	0.0115*** [0.00129]	0.0110*** [0.00126]	0.0100*** [0.00164]	0.0110*** [0.00126]	0.0115*** [0.00199]	0.0105*** [0.00257]	0.0106*** [0.00279]	0.00943*** [0.00365]	0.00748*** [0.00175]	0.00856*** [0.00176]	0.00819*** [0.00174]	0.00817*** [0.00176]
Munic. Belongs to special program for the least developed 33 small regions (LHH)													
	0.0533*** [0.0103]	0.00222 [0.00926]	0.0434*** [0.0101]	0.0820*** [0.0152]	0.0507*** [0.0104]	0.0408** [0.0158]	0.0768*** [0.0238]	0.0473** [0.0226]	0.0902*** [0.0337]	0.0186 [0.0141]	0.0118 [0.0138]	0.0225 [0.0143]	0.0181 [0.0141]
2004 dummy	-0.0310** [0.0126]	-0.0279** [0.0119]	-0.0372*** [0.0124]	-0.0357** [0.0155]	-0.0321** [0.0126]	-0.0072 [0.0109]	-0.00706 [0.0138]						
2005 dummy	-0.0252** [0.0121]	-0.0234** [0.0115]	-0.0306** [0.0120]	-0.0294* [0.0150]	-0.0262** [0.0122]								
2006 dummy	-0.0178 [0.0116]	-0.0172 [0.0110]	-0.0221* [0.0115]	-0.0212 [0.0144]	-0.0186 [0.0116]								
2007 dummy	-0.00886 [0.0109]	-0.00874 [0.0106]	-0.011 [0.0109]	-0.0102 [0.0137]	-0.00929 [0.0110]					-0.00433 [0.0107]	-0.00478 [0.0106]	-0.00488 [0.0107]	-0.00511 [0.0107]
Northern Hungary region		0.0485*** [0.0162]											
North great Plain Region		-0.0107 [0.0150]											
South Great Plain Region		-0.0375*** [0.0142]											
Central Transdanubia Region		-0.143*** [0.00845]											
Western Transdanubia Region		-0.147*** [0.0100]											
Southern Transdanubia Region		-0.0508*** [0.0135]											
Observations	15720	15720	15680	9920	15630	6272	3968	3136	1984	6260	6280	6252	6252
Percent correctly classified	82.21	81.88	82.34	81.88	82.16	82.32	81.91	82.37	81.85	84.44	84.33	84.1	84.12
Robust standard errors in brackets													
*** p<0.01, ** p<0.05, * p<0.1													

Table 9

Chances for Local Govt. receiving EU funds and political color by municipality size

	-1	-2	-3	-4	-5	-6	-7
depvar.: gotgrant_LG							
	<i>LPM</i>				<i>Probit</i>		
LABELS	10-50000	5-10000	1000-5000	under1000	5-10000	1000-5000	under1000
MP same color as central government 2002	-0.0275**	-0.108***	0.0149	0.0914***	-0.0898***	0.0136	0.0961***
	[0.0120]	[0.0286]	[0.0179]	[0.0171]	[0.0304]	[0.0187]	[0.0184]
MP same color as central government 2006	0.00211	-0.0292	0.0142	-0.00514	-0.0196	0.0148	-0.00966
	[0.00271]	[0.0234]	[0.0161]	[0.0119]	[0.0207]	[0.0169]	[0.0126]
mayor political color same as central government 2006	-0.0170**	0.0661**	-0.0119	0.131***	0.0442***	-0.0128	0.130***
	[0.00761]	[0.0278]	[0.0290]	[0.0434]	[0.0161]	[0.0309]	[0.0455]
In_population	-0.0176**	0.155***	0.244***	0.135***	0.153***	0.256***	0.146***
	[0.00811]	[0.0460]	[0.0146]	[0.00889]	[0.0446]	[0.0162]	[0.00979]
In per capita local personal income tax base	0.00102	0.0450*	0.0699***	0.0255	0.0410**	0.0719***	0.0166
	[0.00214]	[0.0270]	[0.0194]	[0.0219]	[0.0209]	[0.0209]	[0.0227]
% of young population	0.781**	1.962***	0.899***	0.244**	1.819***	0.943***	0.274**
	[0.340]	[0.598]	[0.249]	[0.112]	[0.454]	[0.268]	[0.132]
% of old population	0.399**	2.931***	0.973***	0.586***	2.595***	1.003***	0.658***
	[0.178]	[0.475]	[0.221]	[0.0822]	[0.396]	[0.230]	[0.0960]
% of own resources in LG budget	0.0559**	0.277*	-0.0257	-0.214***	0.257**	-0.0238	-0.240***
	[0.0260]	[0.142]	[0.0738]	[0.0537]	[0.118]	[0.0770]	[0.0587]
ratio of local population with higher education	0.00259**	0.00617**	0.00319	0.0180***	0.00550**	0.00364	0.0179***
	[0.00115]	[0.00258]	[0.00226]	[0.00207]	[0.00226]	[0.00245]	[0.00210]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0130**	-0.0746**	0.0676***	0.0173	-0.0750**	0.0711***	0.0136
	[0.00616]	[0.0333]	[0.0170]	[0.0121]	[0.0362]	[0.0178]	[0.0128]
2004 dummy	-0.0019	-0.025	-0.0518**	-0.0221	-0.0279	-0.0542**	-0.0151
	[0.0113]	[0.0402]	[0.0239]	[0.0223]	[0.0373]	[0.0258]	[0.0226]
2005 dummy	-0.00157	-0.0208	-0.0427*	-0.0169	-0.0236	-0.0444*	-0.0109
	[0.0112]	[0.0377]	[0.0229]	[0.0207]	[0.0340]	[0.0246]	[0.0210]
2006 dummy	-0.00032	-0.0133	-0.0298	-0.0117	-0.0142	-0.0309	-0.00712
	[0.0112]	[0.0360]	[0.0217]	[0.0184]	[0.0305]	[0.0230]	[0.0188]
2007 dummy	-0.00022	-0.0096	-0.0152	-0.00614	-0.00894	-0.0156	-0.00397
	[0.0113]	[0.0343]	[0.0202]	[0.0158]	[0.0280]	[0.0213]	[0.0163]
Constant	0.924***	-1.605***	-1.865***	-0.853***			
	[0.0457]	[0.499]	[0.144]	[0.131]			
Observations	610	685	5650	8565	685	5650	8565
R-squared	0.066	0.104	0.058	0.06			
Robust standard errors in brackets							
*** p<0.01, ** p<0.05, * p<0.1							

note: in the case of cities >50000 for LPM, and >10000 for probit:MP_gov_02=1 and In_population > 6.907755 predicts success perfectly, thus regressions do not run

Table 10

Chances for Local Govt. receiving EU ROP funds and political color by municipality size

dep.var.:gotgrant_LG_ROP

LABELS	<i>LPM</i>				<i>Probit</i>			
	10-50000	5-10000	1000-5000	under1000	10-50000	5-10000	1000-5000	under1000
MP same color as central government 2002	-0.0244 [0.0200]	-0.170*** [0.0444]	0.0172 [0.0180]	0.0105 [0.0119]	-0.0133 [0.00887]	-0.167*** [0.0494]	0.0216 [0.0184]	0.00237 [0.00856]
MP same color as central government 2006	0.000835 [0.0140]	0.0477 [0.0417]	0.0314** [0.0158]	0.0369*** [0.00808]	0.00142 [0.00490]	0.0575 [0.0463]	0.0337** [0.0164]	0.0346*** [0.00735]
mayor political color same as central government 2006	-0.0146 [0.0154]	-0.00178 [0.0480]	-0.0236 [0.0276]	0.0467 [0.0309]	-0.00406 [0.00567]	0.000824 [0.0489]	-0.0256 [0.0278]	0.0265 [0.0229]
In_population	0.0186 [0.0123]	0.148* [0.0860]	0.239*** [0.0148]	0.0867*** [0.00560]	0.00535 [0.00770]	0.148 [0.0913]	0.244*** [0.0155]	0.0935*** [0.00561]
In per capita local personal income tax base	-0.00365 [0.00803]	0.0949 [0.0629]	0.0389** [0.0155]	0.0456*** [0.0148]	-0.0259** [0.0118]	0.0885 [0.0584]	0.0487** [0.0206]	0.0369** [0.0154]
% of young population	0.341 [0.638]	3.324*** [0.984]	1.203*** [0.254]	0.189** [0.0757]	0.457** [0.209]	3.540*** [1.045]	1.237*** [0.269]	0.188** [0.0782]
% of old population	-0.349 [0.505]	1.662** [0.789]	0.957*** [0.211]	0.280*** [0.0481]	-0.0244 [0.168]	1.723** [0.812]	0.994*** [0.227]	0.252*** [0.0574]
% of own resources in LG budget	0.052 [0.0626]	0.702*** [0.228]	-0.0272 [0.0714]	-0.00892 [0.0335]	0.016 [0.0474]	0.674*** [0.251]	-0.0355 [0.0744]	-0.011 [0.0298]
ratio of local population with higher education	0.00409*** [0.00146]	0.0160*** [0.00387]	0.0128*** [0.00212]	0.00678*** [0.00124]	0.00457*** [0.00109]	0.0182*** [0.00515]	0.0133*** [0.00233]	0.00465*** [0.00118]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	-0.0299 [0.0389]	-0.0398 [0.0531]	0.0814*** [0.0180]	0.0198** [0.00848]	-0.0014 [0.00785]	-0.0424 [0.0547]	0.0831*** [0.0189]	0.0137* [0.00762]
2004 dummy	-0.00239 [0.0248]	-0.0751 [0.0690]	-0.0326 [0.0220]	-0.0368** [0.0148]	0.0114* [0.00692]	-0.0753 [0.0732]	-0.039 [0.0239]	-0.0266** [0.0116]
2005 dummy	-0.00167 [0.0254]	-0.0622 [0.0643]	-0.026 [0.0213]	-0.0303** [0.0136]	0.0101 [0.00724]	-0.0621 [0.0681]	-0.0314 [0.0230]	-0.0223** [0.0109]
2006 dummy	-0.00057 [0.0254]	-0.042 [0.0593]	-0.0168 [0.0205]	-0.0222* [0.0120]	0.00858 [0.00709]	-0.0408 [0.0624]	-0.0209 [0.0218]	-0.0168* [0.00982]
2007 dummy	0.000782 [0.0253]	-0.0203 [0.0540]	-0.00845 [0.0196]	-0.011 [0.0101]	0.00523 [0.00758]	-0.0191 [0.0565]	-0.0106 [0.0205]	-0.00849 [0.00849]
Constant	0.764*** [0.211]	-2.049** [0.896]	-2.111*** [0.140]	-0.748*** [0.0849]				
Observations	610	685	5650	8565	610	685	5650	8565
R-squared	0.03	0.067	0.065	0.048				

Robust standard errors in brackets

*** p<0.01, ** p<0.05, * p<0.1

note: in the case of cities >50000 : MP_gov_02=1 and ln_population > 6.907755 predicts success perfectly, thus regressions

Table 11

Chances for LG receiving EU funds and political color by municipality size and different periods - LPM

	-1	-2	-3	-4	-5	-7	-8	-9	-10	-11	-12	-13	-14	-15
dep.var.: gotgrant_LG	same color 2004-05					elec.year 2006				same color 2007-08				
LABELS	above50000	10-50000	5-10000	1000-5000	under1000	10-50000	5-10000	1000-5000	under1000	above50000	10-50000	5-10000	1000-5000	under1000
MP same color as central government 2002	0.0697***	0.0668***	0.0632***	0.0579***	0.0940***	-0.0395	-0.137	0.03	0.139***					
	[0.0237]	[0.0229]	[0.0230]	[0.0200]	[0.0203]	[0.0386]	[0.0841]	[0.0369]	[0.0385]					
MP reelected for more than 1 term 2002	-0.0385	-0.0385	-0.0373	-0.036	-0.0465**	-0.0249	0.0864	-0.0251	-0.059					
	[0.0259]	[0.0251]	[0.0256]	[0.0225]	[0.0215]	[0.0249]	[0.109]	[0.0440]	[0.0376]					
mayor political color same as central government 2002	-0.0156**	-0.0150**	-0.0132*	-0.0178**	-0.0130**	0.0348	0.0597***	-0.0382**	-0.0113					
	[0.00766]	[0.00758]	[0.00746]	[0.00745]	[0.00558]	[0.0335]	[0.0200]	[0.0163]	[0.00821]					
ln_population	0.187***	0.184***	0.189***	0.194***	0.179***	-0.0437	0.330*	0.247***	0.136***	0.187***	0.186***	0.188***	0.195***	0.175***
	[0.00918]	[0.00869]	[0.00900]	[0.00862]	[0.00823]	[0.0438]	[0.174]	[0.0412]	[0.0261]	[0.00751]	[0.00708]	[0.00723]	[0.00694]	[0.00685]
In per capita local personal income tax base	0.0693***	0.0596**	0.0672***	0.0708***	0.0788***	0.00956	0.0346	0.0546	0.0879	0.0179	0.0146	0.017	0.0358*	0.0189
	[0.0264]	[0.0232]	[0.0255]	[0.0239]	[0.0240]	[0.0117]	[0.0789]	[0.0545]	[0.0656]	[0.0241]	[0.0219]	[0.0228]	[0.0217]	[0.0219]
% of young population	0.704**	0.755**	0.742**	0.809***	0.675***	1.56	3.892	1.263*	0.465*	0.334	0.357	0.362	0.442**	0.27
	[0.314]	[0.310]	[0.312]	[0.288]	[0.241]	[1.534]	[2.426]	[0.721]	[0.252]	[0.230]	[0.227]	[0.227]	[0.211]	[0.173]
% of old population	0.618***	0.639***	0.681***	0.720***	0.649***	0.446	5.793***	1.174*	0.489***	0.736***	0.736***	0.764***	0.798***	0.717***
	[0.229]	[0.225]	[0.228]	[0.217]	[0.173]	[0.479]	[1.972]	[0.623]	[0.184]	[0.168]	[0.167]	[0.166]	[0.158]	[0.125]
% of own resources in LG budget	-0.0912	-0.0737	-0.0859	-0.0939	-0.123	0.0822	0.291	-0.128	-0.214*	-0.146*	-0.134	-0.138	-0.113	-0.173**
	[0.110]	[0.105]	[0.108]	[0.0957]	[0.0845]	[0.0867]	[0.491]	[0.195]	[0.127]	[0.0876]	[0.0844]	[0.0854]	[0.0777]	[0.0698]
ratio of local population with higher education	0.00557*	0.00596*	0.00550*	0.00521*	0.00847***	0.00504	-0.00272	0.00468	0.0110**	0.00713***	0.00679***	0.00673***	0.00581**	0.0110***
	[0.00327]	[0.00304]	[0.00317]	[0.00298]	[0.00269]	[0.00512]	[0.0140]	[0.00669]	[0.00520]	[0.00256]	[0.00238]	[0.00236]	[0.00229]	[0.00221]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0405	0.0433	0.0375	0.0550**	0.0256	0.00446	-0.134	0.0944*	0.00233	0.032	0.0336*	0.0298	0.0406**	0.0261
	[0.0305]	[0.0297]	[0.0295]	[0.0261]	[0.0249]	[0.0117]	[0.109]	[0.0501]	[0.0434]	[0.0209]	[0.0204]	[0.0203]	[0.0183]	[0.0165]
2004 dummy	0.259***	-0.00753	-0.0607	-0.0430**	0.0192									
	[0.0741]	[0.0265]	[0.0403]	[0.0210]	[0.0182]									
MP same color as central government 2006										0.0253	0.0243	0.0229	0.0250*	0.0305**
										[0.0165]	[0.0160]	[0.0160]	[0.0144]	[0.0135]
Number of terms Member of Parliament reelected 2006										-0.00906	-0.00872	-0.0101	-0.00841	-0.0103**
										[0.00635]	[0.00616]	[0.00615]	[0.00554]	[0.00515]
mayor political color same as central government 2006										0.00847	-0.00018	0.0164	0.00353	0.039
										[0.0355]	[0.0313]	[0.0324]	[0.0320]	[0.0343]
2007 dummy										0.322***	0.0257	-0.0737***	-0.0394**	0.0206
										[0.0569]	[0.0200]	[0.0281]	[0.0179]	[0.0152]
Constant	-1.655***	-1.345***	-1.364***	-1.449***	-1.414***	0.984***	-4.046**	-1.935***	-1.108***	-1.429***	-1.121***	-1.042***	-1.230***	-1.052***
	[0.204]	[0.169]	[0.177]	[0.155]	[0.150]	[0.160]	[1.882]	[0.425]	[0.426]	[0.161]	[0.136]	[0.137]	[0.123]	[0.120]
Observations	2000	2070	2069	2736	3029	86	85	752	1045	3147	3248	3264	4256	4841
R-squared	0.232	0.258	0.242	0.198	0.204	0.116	0.186	0.069	0.066	0.231	0.256	0.248	0.199	0.2

Robust standard errors in brackets
 *** p<0.01, ** p<0.05, * p<0.1

Table 12

Chances for LG receiving EU funds and political color by municipality size and different periods -Probit

LABELS	same color 2004-05					elec.year 2006			same color 2007-08				
	-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12	-13
	above50000	10-50000	5-10000	1000-5000	under10000	5-10000	1000-5000	under1000	above50000	10-50000	5000-10000	1000-5000	under1000
MP same color as central government 2002	0.0849***	0.0805***	0.0751***	0.0666***	0.109***	-0.146*	0.0286	0.141***					
	[0.0287]	[0.0285]	[0.0282]	[0.0233]	[0.0236]	[0.0844]	[0.0385]	[0.0391]					
MP reelected for more than 1 term 2002	-0.0515	-0.0544*	-0.0485	-0.0457*	-0.0569**	0.118	-0.03	-0.0599					
	[0.0329]	[0.0325]	[0.0325]	[0.0271]	[0.0261]	[0.132]	[0.0460]	[0.0392]					
mayor political color same as central government 2002	-0.0193	-0.0185	-0.0157	-0.0227*	-0.0198*		-0.0454	-0.0185					
	[0.0135]	[0.0133]	[0.0124]	[0.0130]	[0.0101]		[0.0281]	[0.0140]					
ln_population	0.251***	0.248***	0.254***	0.254***	0.230***	0.303*	0.259***	0.147***	0.246***	0.245***	0.247***	0.253***	0.222***
	[0.0162]	[0.0159]	[0.0161]	[0.0146]	[0.0138]	[0.177]	[0.0451]	[0.0296]	[0.0126]	[0.0125]	[0.0125]	[0.0115]	[0.0107]
ln per capita local personal income tax base	0.108***	0.100***	0.105***	0.0931***	0.106***	0.018	0.0548	0.082	0.0474	0.0442	0.0451	0.0561*	0.0348
	[0.0402]	[0.0373]	[0.0387]	[0.0327]	[0.0347]	[0.0462]	[0.0567]	[0.0729]	[0.0343]	[0.0335]	[0.0328]	[0.0288]	[0.0293]
% of young population	1.010**	1.052**	1.031**	1.099***	0.878***	3.400*	1.347*	0.531	0.471	0.505	0.502	0.590**	0.364
	[0.428]	[0.426]	[0.427]	[0.383]	[0.317]	[1.786]	[0.788]	[0.351]	[0.312]	[0.312]	[0.310]	[0.278]	[0.229]
% of old population	1.024***	1.027***	1.082***	1.077***	0.921***	5.009**	1.199*	0.559**	1.053***	1.057***	1.087***	1.087***	0.952***
	[0.317]	[0.315]	[0.316]	[0.290]	[0.230]	[2.034]	[0.638]	[0.254]	[0.231]	[0.231]	[0.230]	[0.211]	[0.167]
% of own resources in LG budget	-0.104	-0.0956	-0.098	-0.114	-0.153	0.24	-0.129	-0.254*	-0.168	-0.163	-0.16	-0.132	-0.208**
	[0.138]	[0.136]	[0.136]	[0.115]	[0.105]	[0.316]	[0.200]	[0.147]	[0.112]	[0.112]	[0.111]	[0.0954]	[0.0874]
ratio of local population with higher education	0.0115**	0.0123***	0.0109**	0.00951**	0.0124***	-0.00012	0.00535	0.0107*	0.0139***	0.0142***	0.0132***	0.0104***	0.0163***
	[0.00470]	[0.00469]	[0.00460]	[0.00399]	[0.00368]	[0.00578]	[0.00709]	[0.00554]	[0.00398]	[0.00398]	[0.00384]	[0.00328]	[0.00318]
Munic. Belongs to special program for the least developed 33 small regions (LHH)	0.0375	0.0416	0.0353	0.0583*	0.0214	-0.0915	0.105**	-0.00285	0.0318	0.034	0.0303	0.0436**	0.0247
	[0.0383]	[0.0379]	[0.0377]	[0.0319]	[0.0301]	[0.127]	[0.0531]	[0.0431]	[0.0260]	[0.0259]	[0.0258]	[0.0222]	[0.0201]
2004 dummy		-0.245*	-0.0305	-0.0153	0.00109								
		[0.140]	[0.0758]	[0.0242]	[0.0222]								
MP same color as central government 2006									0.0288	0.0284	0.025	0.0278	0.0333**
									[0.0203]	[0.0203]	[0.0201]	[0.0170]	[0.0160]
Number of terms Member of Parliament reelected 2006									-0.0127	-0.0133*	-0.0146*	-0.0111*	-0.0133**
									[0.00789]	[0.00787]	[0.00779]	[0.00665]	[0.00613]
mayor political color same as central									0.0547	0.0368	0.0634	0.0299	0.0808
									[0.0554]	[0.0549]	[0.0523]	[0.0437]	[0.0496]
2007 dummy									-0.0628	-0.247**	-0.0814	-0.00871	0.00193
									[0.310]	[0.126]	[0.0629]	[0.0207]	[0.0184]
Observations	1984	2070	2069	2736	3029	76	752	1045	3147	3248	3264	4256	4841
Percent correctly classified	71.17	72.22	72.16	69.3	71.54	88.16	64.49	72.63	71.08	72.01	71.63	69.45	71.12

Robust standard errors in brackets
 *** p<0.01, ** p<0.05, * p<0.1

